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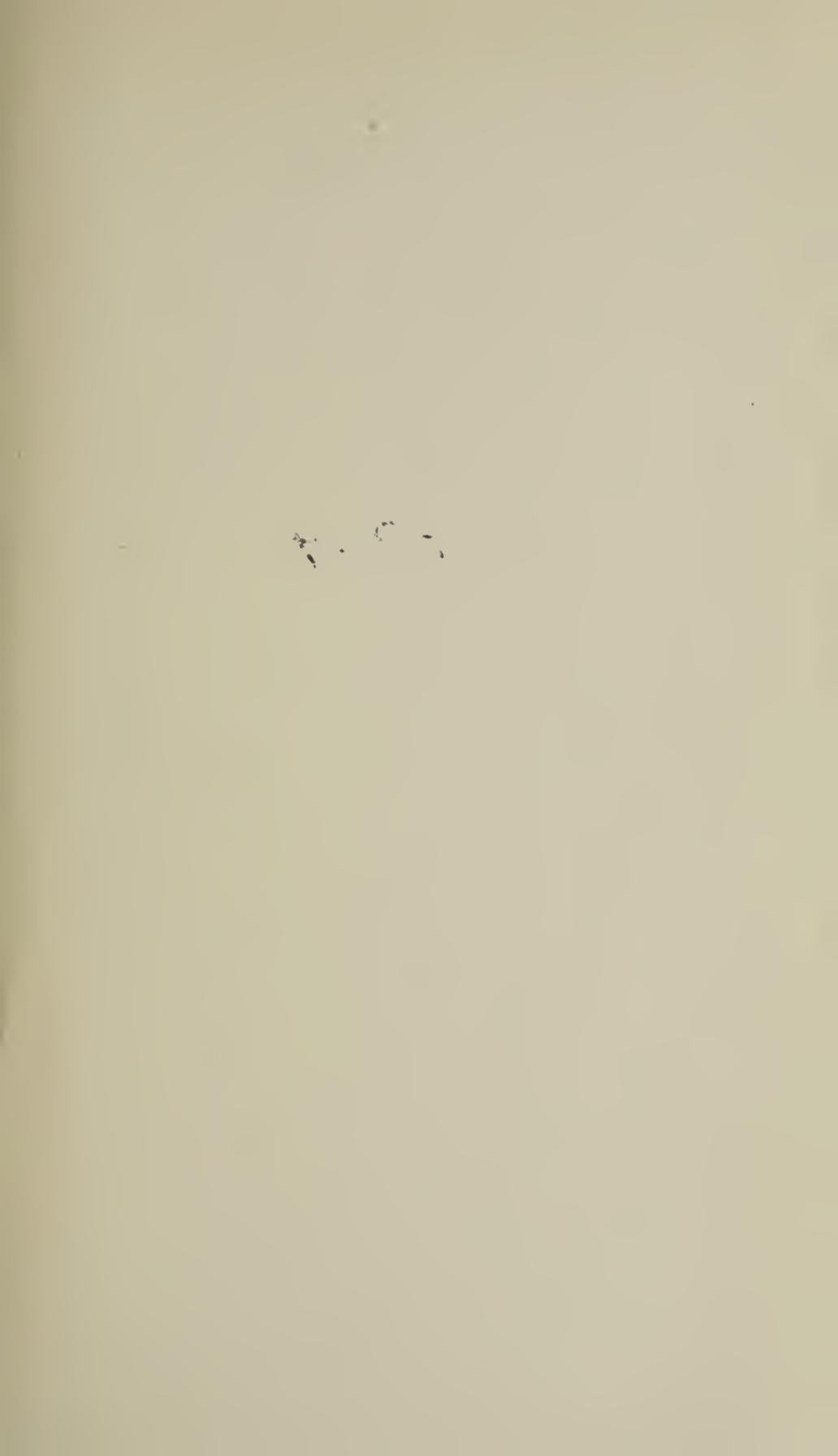
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2654

No. 12,621

IN THE
United States
Court of Appeals
For the Ninth Circuit

TAYLOR ENGINES, INC., et al.,

Appellants,

vs.

ALL STEEL ENGINES, INC., et al.,

Appellees.

Opening Brief for Appellants

FILED

APR 4 1951

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Appellees.

Opening Brief for Appellants

I.

**STATEMENT OF THE PLEADINGS AND FACTS
CONFERRING JURISDICTION**

The original jurisdiction of the subject matter of this action, acquired by the district court, arises by virtue of the provisions of the New Judicial Code, as follows:

“The district courts shall have original jurisdiction of any civil action or proceeding arising under any

Act of Congress relating to patents, copyrights and trademarks * * *

28 U.S.C.A. 1338(a)

The jurisdiction of the district court over the parties to this action is acquired by virtue of the provision of the New Judicial Code which specifies that:

“Any civil action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business.”

28 U.S.C.A. 1400(b)

That portion of the pleadings which alleges facts sufficient to show the existence of the jurisdictional powers conferred by the above quoted statutory provisions consists of paragraph III of the complaint (Rec. p. 4); paragraph X of the complaint (Rec. p. 7) and paragraph III of the Answer (Rec. p. 16).

The United States Court of Appeals for the Ninth Circuit, the present forum, acquires jurisdiction of this appeal by virtue of the following provisions of the New Judicial Code:

“The court of appeals shall have jurisdiction of appeals from all final decisions of the district courts of the United States. * * *

28 U.S.C.A. 1291

“The courts of appeals shall have jurisdiction of appeals from: * * *

“Judgments in civil actions for patent infringement which are final except for accounting.”

28 U.S.C.A. 1292 (4)

The notice of appeal (Rec. p. 145) ; certificate of the clerk to record on appeal (Rec. p. 147) ; and the statement of points on appeal (Rec. pp. 149-151) constitute the pleadings conferring jurisdiction of this cause upon this Court of Appeals.

II.

STATEMENT OF THE CASE AND QUESTIONS INVOLVED

This action was brought by the plaintiffs against the named defendants for alleged infringement of United States Letters Patents, Nos. 2199423, 2275478 and 2341488.

The plaintiff, All Steel Engines, Inc. claim exclusive patent rights from the original patentees of patent No. 2199423 by virtue of a written instrument executed on September 18, 1940 which, it is alleged, by its terms vested exclusive rights in All Steel Engines, Inc. under the subsequently issued patents 2275478 and 2341488.

For answer, all of the defendants, except Lloyd M. Taylor who did not answer nor appear, averred that they were tenants in common with the plaintiff, George A. Selig, of all of the patent rights to patents 2199423 and 2275478 and, further, that they were sole owner of the entire right, title and interest to patent No. 2341488; and that from the inception of their acquisition of title to the said patents, as aforesaid, and at all times herein mentioned, they were bona fide purchasers for value from the sole inventor, Lloyd M. Taylor, without notice of the alleged exclusive rights of the plaintiff, All Steel Engines, Inc.;

For further answer, the above named defendants denied that they were parties or in privity with any parties to any prior court action involving patent rights to the patents in suit and, hence, denied the plea of title by res adjudicata in plaintiff, All Steel Engines, Inc.

Moreover, the named defendants, except Lloyd M. Taylor, traversed and denied the alleged rights of the plaintiff, All Steel Engines, Inc., in the three patents in suit and also denied the infringement charges made by the plaintiffs.

III.

SPECIFICATION OF ERRORS

The errors assigned by these appellants from the decision of the court below are set forth in Volume I of the Transcript of Record, (Rec. pp. 149-151) which embrace errors in the Findings of Fact and Conclusions of Law and are, more particularly, as follows:

1. As to *Finding of Fact 3*. (Rec. pp. 47-48), the court erred in finding that the appellant, Taylor Engines, Inc., had committed and were committing acts of infringement as charged;

2. As to *Finding of Fact 4*. (Rec. p. 48), the court erred in finding that the appellants, Ernest L. Smith, Alfred W. Gorman, Theodore B. Brown, James A. Gorman and Alan S. Brotherhood have participated and still are participating in the acts of infringement charged;

3. As to *Finding of Fact 7*. (Rec. pp. 49-50), the court erred in finding that the purported exclusive license to the appellee corporation included any and all changes and improvements in said invention or the mode of using the same; and also erred in finding that said exclusive license is in full force and effect;

4. As to *Finding of Fact 8*. (Rec. p. 50), the court erred in finding that the invention set forth and described in patent number 2341488 represents an alteration, change and/or improvement of the invention set

forth and described in patents 2199423 and 2275478, and also erred in finding that the appellee corporation is entitled to the sole and exclusive benefit of said patent 2341488, as against these appellants, and each of them, their successors, administrators and assigns;

5. As to *Finding of Fact 10*. (Rec. pp. 50-52), the court erred in finding that on or about April 24, 1941, the appellants Ernest L. Smith, Alfred W. Gorman and Theodore B. Brown, well knew the rights secured to the appellee corporation; also that the court erred in finding that these appellants accepted an assignment from Lloyd M. Taylor of his interests in the patents in suit after notice of the rights of appellee corporation; also that the court erred in finding that Taylor, Brown, Smith and Alfred W. Gorman previous to April, 1941, negotiated with plaintiffs-appellees to acquire appellee corporation's exclusive license, and also erred in finding that these appellants had knowledge of the exclusive rights of appellee corporation and that exclusive rights of any character belonged to appellee corporation;

Also as to *Finding of Fact 10*, the court erred in findings that these appellants, in forming the appellant corporation and in purporting to grant patent rights thereto, was for the purpose of defrauding the appellees and infringing upon the patent rights of appellee corporation. Also, the court erred in finding that these appellants, and each of them, have infringed and now are infringing upon exclusive patent rights of appellee corporation;

Also as to *Finding of Fact 10*, the court erred in finding that the appellant corporation unlawfully

granted rights under the patents in suit to Crosley Motors, Inc., and that any and all gains and profits that may be derived from any contract with Crosley Motors, Inc. vests in the appellee corporation;

6. As to *Finding of Fact 11*. (Rec. p. 52), the court erred in finding that these appellants' conduct with respect to the patents in suit was wilful and part of a conspiracy to break down and render valueless the property of appellee corporation;

7. As to *Finding of Fact 14*. (Rec. p. 53), the court erred in finding that the evidence clearly disclosed that these appellants were the real parties in interest in proceeding number 302607, filed on or about May 29, 1941 in the Superior Court of the State of California, in and for the City and County of San Francisco, and that any judgment secured by Lloyd M. Taylor therein would have inured to the benefit of these appellants. Further, as to Finding of Fact 14, the court erred in finding that the aforesaid Superior Court action was initiated for the purpose of depriving appellee, All Steel Engines, Inc., of exclusive rights acquired by purported exclusive license from George A. Selig and Lloyd M. Taylor;

8. As to *Finding of Fact 15*. (Rec. p. 54), the court erred in finding that the appellee corporation did not acquiesce in any rights asserted by these appellants to any of the patents in suit, and further erred in finding that the appellee corporation was not guilty of laches;

9. As to *Finding of Fact 16*. (Rec. p. 54), the court erred in finding that the exclusive license granted by George A. Selig and Lloyd M. Taylor to All Steel Engine Company, Inc., a California corporation, was

abandoned by an instrument dated November 1, 1940. Further, *as to Finding of Fact 16*, the court erred in finding that by an instrument dated September 18, 1940, George A. Selig and Lloyd M. Taylor granted to All Steel Engines, Inc., a Nevada corporation, exclusive license in connection with the patents in suit, and further erred in finding that ever since September 18, 1940, the appellee corporation has been and still is the lawful owner and holder of an exclusive license under the patents in suit;

10. As to *Finding of Fact 17*. (Rec. p. 55), the court erred in finding that the appellees have not at any time violated or interfered with the rights of the appellants, or any of them, in connection with the patents in suit. Further *as to Finding of Fact 17*, the court erred in finding that the appellants acted in violation of the rights of the appellees and with knowledge thereof and for the purpose of infringement of the patent rights of the appellee corporation, and damaging said appellee corporation;

11. As to *Finding of Fact 18*. (Rec. p. 55), the court erred in finding that the plaintiffs were entitled to a judgment against the defendants and to a writ of injunction perpetually restraining the defendants from infringing from the patents in suit and for an accounting of profits realized by the defendants, and the appointment of a master to such end, and further erred in finding that the plaintiffs were entitled to recover their costs;

12. As to *Conclusion of Law 1*, the court erred in concluding that the appellee, George A. Selig, is the

owner of a valid and subsisting undivided one-half ($\frac{1}{2}$) interest in and to patent number 2341488;

13. As to *Conclusion of Law 2*, the court erred in concluding that the appellee corporation is the owner of a valid and subsisting exclusive license to manufacture, have made, make, use, sell, deal in and with engines and/or constructions under letters patent of the United States, numbers 2199423, 2275478 and 2341488, and in and to any and all alterations, changes, modifications, improvements or substitutions thereof;

14. As to *Conclusion of Law 3*, the court erred in concluding that the claims of each of the defendants below are invalid and void, and further erred in concluding that the plaintiffs below are entitled to a writ of injunction perpetually restraining defendants, and each of them, from infringing on said patents;

15. As to *Conclusion of Law 4*, the court erred in concluding that the plaintiff, All Steel Engines, Inc., a Nevada corporation is entitled to an accounting of any and all profits realized by the defendants or that might inure to the benefit of defendants, or any one of said defendants, in consequence of the infringement of said letters patents by said defendants, or any one of them, or by reason of any contract made with Crosley Motors Inc., or any other person or persons in connection with said patents, or any profits that might otherwise arise, and to this end a master be appointed. Also, the court erred in concluding that the plaintiffs are entitled to recover their costs.

16. The court erred in admitting in evidence, over the objection of these appellants and by its denial of appellants' motion to strike from the evidence, the

State court decisions in the case of *Lloyd M. Taylor v. George A. Selig, All Steel Engine Company, Inc., et al.*, being proceedings 302607 in the Superior Court of the State of California, in and for the City and County of San Francisco (Book of Exhibits, Vol. II, Trans. of Rec. pp. 225-227), as well as being appeal numbered SF 17139 of the same proceedings (Book of Exhibits, Vol. II, Trans. of Rec. pp. 228-241, inclusive). The admissibility for such state decisions was objected to on the following grounds urged at the trial:

“MR. WHITE: If Your Honor please, I object to the introduction of this document on behalf of the defendants, Taylor Engines, James Gorman, A. W. Gorman, Ernest Smith, Mervin Brown, because no foundation has been laid to show that that action involved the defendants that we represent.” (Rec. p. 141), * * * and the effect of judgment Section 1908 Code of Civil Procedure of the State of California.”;

the full substance of the evidence erroneously admitted being set forth in Vol. II, Book of Exhibits, Trans. of Rec. pp. 225-227 and pp. 228-241.

17. The court below erred in denying the motion of defendants, except Lloyd M. Taylor, to strike from the plaintiffs' reply brief on final hearing the after-acquired title doctrine first presented by plaintiffs below in their reply brief on final hearing (Rec. pp. 38-42).

ARGUMENT**1. Summary**

It is the earnest belief of the appellants that the questions presented on this appeal are largely questions involving the correct application of well established principles of patent law and general law. If the trial court had correctly applied these principles of law to the uncontroverted facts, a finding that the appellants were the owners of a one-half interest in the first two letters patent in suit and the sole owner of the third patent would have resulted and the further finding would have been made that as such owners it could not be held that the appellants were infringers, as well as a finding that no devices embodying the disclosures claimed in the said patents had been made or were caused to be made by these appellants, would all have been inevitable.

That a part owner or co-owner of a patent may not bring an action for infringement against his co-owner is a well established principle of patent law.

That the appellants were such co-owners of patents numbered 2199423 and 2275478 (the first two patents in suit) with the appellee George A. Selig, at all times appellants were alleged to have infringed upon these letters patent, is clearly established by the record.

It is also well established by the record that the appellee corporation (All Steel Engines, Inc.) has no interest whatsoever in these letters patents.

Briefly outlined, the chain of title to these said patents which establishes that the appellants are co-owners of the two patents, and that the appellee corporation is a stranger and has no capacity to sue is as follows:

April 17, 1937: Lloyd M. Taylor, the sole inventor, assigned to George A. Selig a $\frac{1}{2}$ undivided interest to said patents. The latter was to finance and promote the invention as consideration for this $\frac{1}{2}$ interest (Rec. pp. 169-171).

March 23, 1940: Taylor and Selig assigned their respective rights in these patents to the All Steel Engine Company, Inc., a *California* corporation (not a party to this action). This corporation was organized by Selig and represented to Taylor by him as being capable of carrying out Selig's obligations under the above referred to April 17, 1937, assignment. Jesse M. Whited was president and Harry G. Selig (George Selig's father) was Secretary-Treasurer. This last mentioned fact is most significant and its subsequent importance cannot be too strongly stressed (Rec. pp. 255-256).

September 18, 1940: Taylor and Selig executed an agreement whereby they *purported* to assign to the appellee All Steel Engines, Inc., a *Nevada* corporation, the same identical interest that they had assigned to the California corporation by the assignment referred to in the preceding paragraph (Rec. pp. 172-175).

The appellee corporation was hastily organized on July 17, 1940, under the laws of Nevada as the California corporation was having great difficulty raising funds by selling stock because of the corporate laws of this State (Rec. pp. 66-67).

The president and secretary-treasurer of this Nevada corporation were the same as for the California corpo-

ration, namely, Jesse M. Whited and Harry G. Selig, respectively.

It should be pointed out here that by the assignment to the California corporation, that corporation had the right to assign all its rights to these patents directly to the Nevada corporation had that been the desire of the officers Jesse M. Whited and Harry G. Selig. This was not done because it was the intention of the Seligs to have the records of both these corporations show that each held the rights to these patents so that whenever it was to their advantage to hold out that the California corporation had such right they could do so and the converse could be shown with respect to the Nevada corporation if that was desired. Hence this abortive assignment of September 18, 1940.

Further, that it was not the intention of the Seligs to abandon the California corporation upon the formation of the Nevada corporation is not only established by the above fact that the California corporation did not transfer its rights to these said patents to the Nevada corporation, but also by the fact that as late as January 5, 1941, the California corporation was holding meetings and carrying on activities (Rec. pp. 88-89). Also, as late as May 29, 1941, the California corporation was a party to a State court action in which it received a favorable decision on September 8, 1943.

November 1, 1940: Taylor secured a re-conveyance of all the interest he had conveyed to the California corporation on March 23, 1940 (Rec. pp. 255-256).

This re-conveyance was made upon the demand of Taylor because it became apparent to him in October,

1940, following the issuance of an aviation magazine wherein appeared an article based upon information given out by the appellee, George A. Selig, making greatly exaggerated claims for the invention and its stage of development and manufacture for the purpose of attracting investment capital (Rec. pp. 265A).

All of which not only clearly established that Selig was unable successfully to finance and promote the invention as he represented to Taylor, but that there was a more than slight possibility that violations of the Corporate Security Act had been or were about to be committed (Rec. pp. 115-116).

And, as stated above, it was not necessary to have a re-conveyance from other than the California corporation to comply with Taylor's demand of the return of his $\frac{1}{2}$ interest. Whited and Harry Selig, as the officers of both Selig corporations, knew the Nevada corporation took nothing under the abortive September 18, 1940, assignment, hence they executed only the re-conveyance of November 1, 1940, on behalf of the California corporation in order to place Taylor in status quo as of March 23, 1940.

April 24, 1941: Taylor assigned a $\frac{1}{4}$ undivided interest (or one-half of his $\frac{1}{2}$ interest) in these first two patents to the appellants Ernest L. Smith, A. W. Gorman and Theodore B. Brown (Rec. p. 258).

This assignment was the culmination of the efforts of Ernest L. Smith to interest investment in Taylor's $\frac{1}{2}$ interest following Taylor's advices to Smith, supported by the November 1, 1940, reconveyance, that he had regained his (Taylor's) $\frac{1}{2}$ interest (Rec. pp.

118, 127). (Smith's testimony under Rule 43(B)). Further, these representations of Taylor with respect to this reconveyance were substantiated by the conduct, language and silences on the part of the appellees and other persons representing them, including their present counsel, Fred Watkins (Rec. p. 127). This is particularly true of a certain meeting held on March 6, 1941, discussed in detail below. Suffice it to summarize this phase by pointing out that not at any time between November 1, 1940, to the date of this assignment of April 24, 1941 (or, as a matter of fact it was not until shortly after the appellant Taylor Engines, Inc. was successful in negotiating the Crosley agreement (Rec. p. 240)) did the appellees make any claim of infringement against these appellants or advise that the appellees disputed the fact of the reconveyance to Taylor of his $\frac{1}{2}$ interest.

On the contrary, the appellee corporation sold the appellant corporation equipment to be used for the sole purpose of producing embodiments of the claims of these patents (Rec. pp. 127, 128, 129). Also, the appellees made overtures at the above referred to March 6, 1941, meeting in an effort to persuade Taylor to re-join them (Rec. p. 73). Not at any time when appellants asserted a right to proceed on Taylor's $\frac{1}{2}$ interest did the appellees deny that the appellants had such right (Rec. pp. 73, 139).

April 24, 1941: Taylor, Smith, Brown and Gorman assigned all their right, title and interest to the patents to the appellant Taylor Engines, Inc. (Rec. p. 262).

May 29, 1941: Taylor individually filed an action against George A. Selig, All Steel Engine Company, Inc., a California corporation, All Steel Engines, Inc., a Nevada corporation, et al., No. 320697, in the Superior Court of the State of California, in and for the City and County of San Francisco (Rec. p. 204), whereby Taylor sought to have himself declared the owner of all the right, title and interest to the said patents held by George A. Selig, or any person or persons claiming under him, on the ground, as stated above, that Selig had utterly failed to perform his obligations of financing and promoting the invention claimed in these patents, and as a consequence thereof there was a complete lack of consideration for the assignment to Selig of April 17, 1937.

Taylor was unsuccessful in this endeavor and as a result George A. Selig retained the said one-half interest in Letters Patent Numbered 2199423 and 2275478 and is therefore a co-owner of these patents with the appellant corporation.

However, as to the appellee corporation the above facts, uncontroverted on the record, clearly establish that it took nothing under the abortive September 18, 1940, agreement, and as no instrument was made of record to establish that this appellee had any claim of right from George A. Selig's $\frac{1}{2}$ interest, the appellee corporation is without capacity to bring this suit and is not a proper party plaintiff-appellee.

In view of these uncontroverted facts it is respectfully urged that the trial court erred in its finding that appellant corporation was not a co-owner and in the

finding that the appellee corporation was a proper party plaintiff.

That the appellants were bona fide purchasers for value is also abundantly established by the record, and also stands uncontroverted.

As pointed out above the record is absolutely barren of any denial by the appellees on any of the numerous occasions upon which the appellants asserted ownership of Taylor's one-half interest. Not one word that could be said to constitute notice by the appellees to the appellants of any claimed adverse interest to the appellants is to be found in the entire record. In fact, as already pointed out, it was not until the latter part of 1943 that these appellees made any such claim. Which, coming as it did after strenuous activity by the appellant corporation, that resulted in the Crosley contract and an investment of some \$180,000.00, on the part of appellant corporation, all of which was known to the appellees, cannot be given serious consideration for the reason that if these appellees had any claim it was barred by laches as well as acquiescence.

A clearer case of a bona fide purchaser without notice is difficult to conceive.

That the appellants were bona fide purchasers for value is likewise most abundantly established by the uncontroverted record.

Appellant Brown invested \$15,000.00 of his own money (Rec. p. 129).

Appellant A. W. Gorman invested \$60,000.00, of his own money (Rec. p. 139).

Appellant Smith invested \$14,000.00 of his own money (Rec. p. 137).

Or, a total of \$89,000.00, plus an additional \$36,500.00, by appellant A. W. Gorman (Rec. p. 140).

Also, that the appellant held a bona fide interest and that such interest was acquiesced in by the then president of the appellee corporation Jesse M. Whited is established by the fact that Whited invested \$400.00 of his own money in the appellant corporation (Rec. 137). Whited, it is to be remembered, was the president and an officer executing the November 1, 1940, re-conveyance to Taylor of his 1/2 interest.

It is a well established legal principle that the party attacking the bona fide character of a subsequent purchaser bears the burden of proof; further, it is not sufficient that an *inference* of notice is probable. It has been declared that it is necessary that notice be proved by clear and unequivocal evidence, and this is especially true in a court of equity where it has been said there should always be clear proof of actual knowledge.

Also, lack of notice and good faith are always presumed where payment of a considerable value has been proven, as in the present case. This doctrine is well established.

And, notice should be taken of the fact that the appellees failed to avail themselves of the registry statutes of the Patent Office with respect to their claim of ownership to the entire interest. These statutes are to protect the public. It has been held by numerous cases that where a party fails to register his claim he should not prevail upon other than clear and concise evidence. To hold otherwise would be to weaken the registry statutes. It should be pointed out here however, to have recorded both the assignment to the California corporation and the abortive one to the

Nevada corporation would have defeated the purposes of the Seligs in having both corporations hold evidence of title.

It is respectfully urged, therefore, that the trial court erred in finding that the appellants were not bona fide purchasers without notice and for value, and that this Court is warranted in reversing that finding.

Turning now to the third patent in suit, namely, patent number 2341488 (Rec. p. 195).

There can be no question from the record but that the appellees have no interest in and to this patent.

The uncontroverted testimony of the expert witness Baldwin Vale established that the invention disclosed and claimed in this patent is a separate and distinct concept from anything claimed and disclosed in the other two patents in suit. In other words, the invention cannot be considered as an improvement, "division, substitution or continuation" of the said invention covered by the first two patents (Rec. p. 133) as those terms are used in patent law (Rec. pp. 133, 135-136).

Further, appellee George A. Selig, stated he had refused to undertake the financing and promotion of the invention of this third patent, and as a result it was not included in the assignment to him of April 17, 1937 (Rec. p. 80).

That this Court should reverse the trial court's finding in substance to the effect that this third patent was covered by the assignment of April 17, 1937, and that the title is in the appellees would be in accord with well established patent law.

Appellants urge that as to the finding of infringement that there is not one scrap of evidence. Disregarding for

the moment the fact that the appellants have conclusively established that they are the co-owners of two patents and the sole owner of the third patent, there is no evidence to support a finding of infringement on the basis of the appellants having made or caused to be made, one single embodiment of the invention, much less any proof of having sold or used such an embodiment.

For this latter reason, as well as the facts of ownership in the appellants, it is averred that this Court should reverse the trial court's finding that the appellants have infringed said letters patent.

The principles of law with respect to invoking the doctrine of *res adjudicata* have been so often stated and are so well established that but a cursory check of the record is needed to show that the ruling of the trial court in admitting into evidence, over the objection of the appellants, the State Court case referred to above whereby Taylor individually sought to retake the $\frac{1}{2}$ interest assigned to Selig on April 17, 1937, was in error.

There was no attempt made to lay a foundation to establish identity of parties and identity of issues.

The appellant corporation acquired its $\frac{1}{2}$ interest April 24, 1941. (Rec. p. 262). The State Court action was filed on May 29, 1941. The appellant corporation, nor any of the appellants, was a party to this State court action.

The appellant corporation had registered with the Patent Office its claim to a $\frac{1}{2}$ interest to these patents prior to the date of this suit being filed by Taylor. If the appellees, who were fully informed as to the activities of the appellant corporation with respect to the claim of a $\frac{1}{2}$ interest to the patents, honestly believed, as the appellees now as-

sert, that the appellants were the real party in interest or a party in interest to this state Court action, the appellees had a duty to the Superior Court under the provisions of section 389 of the Code of Civil Procedure to make a motion that the appellants be made parties. The appellees made no such motion because appellees were well aware that the appellants were not interested in the state court action because it involved only the $\frac{1}{2}$ interest of Selig, to which the appellants made no claim. The fact that the appellees knew of the lack of interest of the appellants is also attested by the fact of the president of the two Selig corporations, Jesse M. Whited, buying an interest in the appellant corporation. It could not be said that President Whited or appellees did not know about the appellant corporation or its existence.

For these reasons and others set out in more detail below the appellants urge this Court to reverse the finding of the trial court that this State court action was in any manner of speaking *res adjudicata* as to these appellants.

2. Lack of Capacity of Plaintiffs to Sue.

The argument under this topical heading is addressed to Assigned Errors 3, 4, 6, 9, 13 and 15 of the Specification of Errors, *supra*, which may be compositely stated as a single error as follows:

“The court below erred in finding and concluding that the appellee corporation held a valid and subsisting exclusive license, still in full force and effect, under the three patents in suit, including the third patent as a change, alteration, substitution or modification of the invention of the first two patents, namely, 2199423 and 2275478, and as such licensee was entitled to all

gains and profits that might be derived by the appellant corporation from its licensee, Crosley Motors, Inc., and that the conduct of the individual appellants in forming the appellant corporation was for the purpose of defrauding the appellee corporation and rendering its property rights valueless.”

A) LACK OF CAPACITY OF APPELLEE CORPORATION TO SUE.

The only claim to title by appellee corporation to the patents in suit is by way of an abortive exclusive license dated September 18, 1940 from George A. Selig and Lloyd M. Taylor (Rec. pp. 172-175). However, the record clearly establishes that as of the date of this purported conveyance of title, neither Selig nor Taylor possessed the capacity to make such conveyance. Consequently, the appellee All Steel Engines, Inc., a *Nevada corporation*, acquired nothing by the instrument of September 18, 1940 because the assignors had nothing to convey at that time.

The initial conveyance of patent rights was from Lloyd M. Taylor, the inventor, to George A. Selig, as promoter, and is evidenced by the assignment of record (Rec. pp. 169-171), whereby Selig acquired a one-half ($\frac{1}{2}$) interest. Thereafter, on March 23, 1940, Lloyd M. Taylor and George A. Selig jointly granted an exclusive license to the All Steel Engine Company, Inc., a *California corporation*, of which Jesse M. Whited was president and Harry G. Selig was secretary-treasurer. It is important to note that these individuals, including Forrest M. Fulton, were also the directors of the *Nevada corporation*, All Steel Engines, Inc., the appellee herein (Rec. pp. 164 and 212, respectively).

The record establishes that the *California corporation*, All Steel Engine Company, Inc., retained the exclusive license granted to it by Selig and Taylor, jointly, on March

23, 1940, referred to above, until *November 1, 1940*, at which time said *California corporation reconveyed* to Selig and Taylor individually, in the following language, all its right, title and interest in and to the patents in suit (Rec. pp. 255-256):

“Know All Men By These Presents:

“That, the All-Steel Engine Company, Inc., a corporation organized and existing under and by virtue of the laws of the State of California, the party of the first part, in consideration of the sum of Ten Dollars (\$10.00), lawful money of the United States of America, and other valuable consideration, to it in hand paid by George A. Selig and Lloyd M. Taylor, of San Francisco, California, the parties of the second part, the receipt whereof is hereby acknowledged, does by these presents release, transfer, assign, sell and convey unto the said parties of the second part, their executors, administrators, and assigns, all that certain personal property described as follows, to-wit:

“All right, title and interest of, in, and to that certain patent bearing date of 7th day of May, 1940, and being Number 2,199,423, and also that certain application for a patent pending in the Dominion of Canada, bearing serial number 470,475, filed February 9th, 1940, and also two applications for letters patent pending in the United States of America, said applications bearing serial number 333,464, dated May 6th, 1940, and serial number 333,465, dated May 6, 1940.

“And also any and all right and/or license to manufacture and/or sell internal combustion engines within the limits of the United States of America and Canada under the above patents and patents pending, together with any and all other rights relating thereto.

“It is the intention of the parties hereto to completely cancel and terminate that certain agreement dated the 23rd day of March, 1940, between the parties hereto under which an exclusive license was granted to the said party of the first part by the said parties of the second part.”

It is abundantly clear that Lloyd M. Taylor demanded of the officers of these corporations a reassignment of his one-half ($\frac{1}{2}$) interest and that Taylor was informed and believed that the reconveyance above quoted did return to him his one-half ($\frac{1}{2}$) interest in the patents. The record also establishes that Taylor made this demand of reconveyance because he believed that unlawful and untruthful representations were made in an aviation magazine in October of 1940 (Rec. pp. 265a-265b) which Taylor considered to be a violation of the Corporate Securities Act. The particular statements in this article which Taylor objected to the most were to the effect that a 1,000 HP engine was being manufactured and that said engine had already been completed and put through every known block test, and that it roared through all of them with flying colors, and other exaggerated statements of like nature. All of such representations were false—no such engine was being built or contemplated—there even were no drawings that were made (Ernest Smith testimony Rec. p. 138).

That the officers of the appellee corporation well knew that the purported assignment of September 18, 1940 was null and void is established by the fact that in complying with Taylor's request for a reconveyance of his one-half ($\frac{1}{2}$) interest, following this publication in October, 1940, the reconveyance of November 1, 1940 was made by the

California corporation to Taylor. (As pointed out above, the officers of the *California corporation* referred to are the same as those for the *appellee corporation*.)

The fact that it was the intention to reconvey to Taylor his one-half ($\frac{1}{2}$) interest is further established, and we might say conclusively so, by the fact that Jesse M. Whited, the President of the *appellee corporation* on November 1, 1940, and also president of the All Steel Engine Company, Inc., the *California corporation*, purchased stock in the *appellant corporation* in the amount of Four Hundred Dollars (\$400.00) (Rec. p. 137). This is surely the acid test as to what this President of the *two corporations* believed as to the title of the appellant corporation. In other words, had Whited believed that the appellee corporation was the owner of an exclusive license to the patents in suit, he would not have purchased stock in what is now termed by the appellees an infringer of these rights.

These appellants respectfully submit that the maxims of equity were never more applicable, namely, that one who seeks equity must do equity, and one who seeks equity must come into court with clean hands.

In this connection, it is significant to note the perfidy of certain of the officers and directors of these two corporations. *Out of one pocket* the officers and directors, and principally Jesse M. Whited as president and Harry G. Selig as secretary-treasurer of both corporations, took the afore-said release and reconveyance of all right, title and interest in and to the patents in suit, held by the California corporation, and handed such release and reconveyance to the inventor Lloyd M. Taylor.

Now turning to *the other pocket* of the appellee corporation, we find it taking out the abortive assignment of Sep-

tember 18, 1940 and asserting in this action that it acquired all of the right, title and interest to the patents in suit by this instrument. In other words, by now asserting that, in reality, the appellee corporation actually had the interest in the patents in suit, the appellee corporation is also asserting as of November 1, 1940 it endeavored to perpetrate a fraud upon Taylor in that while its officers represented that they were reconveying to Taylor his one-half ($\frac{1}{2}$) interest which they represented had at all times subsequent to March 23, 1940 remained with the *California corporation*, Taylor actually acquired nothing, says the appellee corporation, on November 1, 1940.

It needs no citation of authorities to establish that one cannot pass title to something that he doesn't have. And it is clear from the record that the first assignment of patent rights by Selig and Taylor to the California corporation was made long prior to the second assignment to the Nevada corporation on September 18, 1940. Therefore, Selig and Taylor had nothing to convey on September 18, 1940 in view of the subsisting and outstanding assignment to the California corporation. Moreover, Whited and Harry G. Selig as officers of both Selig corporations (California and appellee Nevada) knew the California corporation held "all right, title and interest of, in, and to * * *" (Rec. p. 255) these patents on September 18, 1940, and therefore they knew the appellee Nevada corporation could only acquire an interest in these patents by direct assignment from the California corporation.

The burden is on the appellee Nevada corporation, in a patent infringement suit such as this, to establish its title to the patents.

Chisholm-Ryder Co. v. Buck, 1 Fed. Sup. 268, Aff. 65 Fed. 2d 735;
Electric Autolite Co. v. P. & D. Mfg. Co., 8 Fed. Sup. 314, Mod. 78 Fed. 2d 700 on a different point; 28 C.A. 673.

It is respectfully submitted that the appellee corporation, All Steel Engines, Inc., a Nevada corporation, has wholly failed to sustain its burden of proof of title or any interest in and to the patents in suit and, consequently, this court clearly can reverse the decision of the district court holding that the said appellee corporation is the holder of a valid and subsisting exclusive license under and with respect to the three patents in suit.

B) LACK OF CAPACITY OF APPELLEE SELIG TO SUE.

(1) Co-ownership of 2199423 and 2275478.

(a) Chain of Title in Selig.

It is conceded that the appellee Selig is, by virtue of the initial assignment from Lloyd M. Taylor, the inventor, the owner of an undivided one-half ($\frac{1}{2}$) interest in and to the first two patents in suit, namely, 2199423 and 2275478 (Rec. pp. 169-171).

(b) Chain of Title in Appellants.

That the appellants are bona fide purchasers for value without notice of adverse rights is clearly established in the record.

The record clearly establishes that following November 1, 1940, when his one half ($\frac{1}{2}$) interest in the patents in suit had been reconveyed to him, Taylor contacted Ernest L. Smith who introduced him to Alfred W. Gorman and Theodore B. Brown. These latter gentlemen organized the

appellant corporation and on the 24th day of April, 1941, Taylor transferred to the organizers, Ernest L. Smith, A. W. Gorman and Theodore B. Brown, severally, a one-fourth ($\frac{1}{4}$) part of all of the interest that Taylor may have in and to patent 2199423; in and to the invention disclosed and claimed in pending patent applications 333,464 and 333465 (the latter maturing into patent 2275478 in suit), as well as a one-fourth ($\frac{1}{4}$) part of the entire right, title and interest in and to the invention disclosed and claimed in pending patent application, serial number 387,410. (The latter application matured into the third patent in suit, number 2341488) (Rec. pp. 258-260).

On the same date, the 24th day of April, 1941 the aforesaid organizers, as well as Lloyd M. Taylor, transferred all of their right, title and interest in and to the patents in suit to the appellant corporation. (Rec. pp. 262-265). The instruments of assignment just referred to were duly recorded in the United States Patent Office in Liber U187, page 62 and Liber U187 page 64 and ever since such date, the appellant corporation has been vested with the ownership of the entire right, title and interest in and to the third patent in suit and of an undivided one-half ($\frac{1}{2}$) interest in the first two patents in suit.

In other words, by the instruments executed by Taylor on April 24th, 1941, the appellant corporation became a co-owner with the appellee George A. Selig of the first two patents in suit, namely, 2199423 and 2275478.

The record clearly establishes that the organizers of the appellant corporation were very substantial purchasers for value, and that the appellant corporation likewise was a very substantial purchaser for value of the interests acquired in the patents in suit. Reference, in this connection,

is respectfully invited to the testimony of Theodore B. Brown that he personally invested \$15,000.00 in Taylor Engines, Inc., (Rec. p. 129). Alfred W. Gorman testified that his personal investment in Taylor Engines, Inc. was approximately \$60,000.00 (Rec. p. 139). And Ernest L. Smith testified that his personal investment in the appellant corporation was \$14,000.00 (Rec. p. 137).

Moreover, the record establishes that the appellant corporation invested approximately \$165,000.00 in developing the Taylor inventions (Rec. p. 140).

The above testimony supports but one conclusion; namely, that the appellants were without notice of any adverse claim to their interests and relied in good faith upon the reconveyance of Taylor's one-half ($\frac{1}{2}$) interest to Taylor.

Lack of notice and good faith is presumed where payment of valuable consideration is proven.

Pickett v. Foster, 149 U.S. 505, 39 L.Ed. 829;

Colo. Coal etc. Co. v. U. S., 123 U.S. 307;

Hood v. Webster, 271 N.Y. 57, 2 N.E.2d 43.

That the appellants were bona fide purchasers for value *without notice from appellees of any adverse claim thereto* is also abundantly established by the record. This court's attention is respectfully invited to the uncontroverted testimony of Alfred W. Gorman, as follows (Rec. p. 139):

"* * * That at the meeting in Mr. Watkins' office on March 6, 1941, Mr. Harry Selig was told by me that we were going ahead with the Taylor half interest and the new developments of Taylor—* * *

I told Mr. Selig that we were going ahead with the Taylor half interest and the development of Mr. Taylor's ideas; Mr. Harry Selig had just made the statement that irrespective of what Mr. Taylor did, that he

and his associates were going ahead on the half interest owned by George Selig, and I made the statement that we would go ahead on the half interest of Taylor and the development of his new idea; Mr. *George Selig* made no reply, he said nothing, he just listened politely.”

The court's attention also is respectfully invited to the testimony of Harry G. Selig, secretary-treasurer of appellee corporation as follows: (Referring to the March 6th, 1941 meeting in Mr. Watkins' office)

“Surr told us that they were *forming a new company* and he laid down some conditions under which they would let us come in as minority stockholders, All Steel Engines, as minority stockholders; * * *” (Rec. p. 73)

The above direct testimony of Harry G. Selig, when considered with the testimony of Alfred W. Gorman which stands uncontroverted, to the effect that at this same meeting of March 6th, 1941 in Mr. Watkins' office (Rec. p. 139), “that at the meeting in Mr. Watkins' office on March 6, 1941, Mr. Harry Selig was told by me that we were going ahead with the Taylor half interest and the new developments of Taylor and I told Selig that we were going ahead with the Taylor half interest and the development of Mr. Taylor's ideas” which was just after Mr. Selig had told Mr. Gorman that irrespective of what Taylor did, that he and his associates were going ahead on the half interest owned by George Selig, it is clear that the appellees had ample opportunity to deny the rights of appellants and to apprise appellants of their claims. In other words, considering the substantial amounts invested personally by the individual appellants Smith, Gorman and Brown and

the considerable expenditures of the appellant corporation, this court may properly conclude that these appellants were actually bona fide purchasers for value without notice of the adverse present claims of the appellees, particularly the appellee corporation.

The party attacking the bona fide character of a subsequent purchaser bears the burden of proving bad faith or notice of outstanding interest.

Cities Service Oil Co. v. Dunlap, 308 U.S. 208, 84 L.Ed. 196;

Colo. Coal etc. Co. v. U. S., 123 U.S. 307;

Grant v. Land Co. (C.C.A. 7th), 82 Fed. 381, 40 L.R.A. 393;

U. S. v. Wythe Co. etc., 11 F.2d 971.

It is not sufficient that an inference of notice is probable, it has been declared to be necessary and unquestionable that notice has been proven by clear and unequivocal evidence.

Sweetland v. Buell, 164 N.Y. 541, 58 N.E. 663.

(2) Acquiescence.

That appellees were well aware of the desirability of recording an assignment of an interest in a patent is shown by the fact that the original assignment made to George A. Selig, appellee, by Taylor of a one-half ($\frac{1}{2}$) interest in the first patent in suit was recorded in the United States Patent Office (Rec. p. 172).

As stated above, the appellants, besides notifying the appellees directly of their claim and right to proceed in the manner in which they have, also placed the assignments

of April 24, 1941, supra, of record in the United States Patent Office and did everything possible, therefore, to place the appellees on notice of appellants' rights.

The cases are legion holding that an estoppel may arise under certain circumstances from silence or inaction as well as from words or action. The principle underlying each estoppel is embodied in the maxim "One who is silent when he ought to speak will not be heard to speak when he ought to be silent."

Eltinge v. Santos, 171 Cal. 278; 152 P. 915;

McDonald v. Kansas City etc. Co. (C.C.A. 8), 149 F. 360, 8 L.R.A. (N.S.) 1110.

Silence, when there is a duty to speak, is deemed equivalent to concealment, or it may amount to the adoption of, or acquiescence in, the statement of another, as where a part owner of personalty makes no objection to his co-owner's statements with reference to the interest of a third person in the property, although he is present when such statements are made and hears and understands them.

Newhall v. Hatch, 134 Cal. 269; 66 P.2d 66;

Kurtz v. Farrington, 104 Conn. 257, 132 A. 540;

Rothschild v. Title Guaranty & T. Co., 204 N.Y. 458, 97 N.E. 874.

The courts are specially disposed to uphold a claim of estoppel by silence or inaction where one party with full knowledge of the facts stood by without asserting his right or raising any objection while the other party, acting on the faith of such apparent acquiescence incurred large expenditures which will be wholly or partially lost if such rights or obligations are subsequently given effect.

Gildersleeve v. New Mexico Min. Co., 161 U.S. 573,
40 L.Ed. 812;

Cleveland Terminal and Valley R. Co. v. State, 80
Ohio State, 251, 97 N.E. 967.

The rule is well established and recognized that where a party with full knowledge, or sufficient notice or means of knowledge of his rights and of all of the material facts remains inactive for considerable time or abstains from impeaching a contract or transaction, or freely does what amounts to recognition thereof as existing, or acts in a manner inconsistent with its repudiation and so as to affect or interfere with the relation and situation of parties, so that the other party is induced to suppose that it is recognized, this amounts to acquiescence of the transaction, although originally impeachable, becomes unimpeachable. The principle that an estoppel may be raised by acquiescence where a party aware of his own rights sees the other party act upon a mistaken notion of his rights.

Kennedy's Est., 321 Pa. 225, 183 A. 791;

Philadelphia etc. Co. v. Schmidt, 251 Pa. 351, 98 A.
964, citing R.C.L.;

*Presque Isle County v. Presque Isle County Sav.
Bank*, 315 Mich. 479, 24 N.W.2d 186, cit. Amer.
Juris;

Edwards v. Belknap, 166 P.2d 451;

Bates v. Hall, 305 Ky. 467, 204 S.W.2d 487.

It is submitted, therefore, that the appellees, by their silence, are estopped at this late date to assert any rights adverse to the appellants herein.

C) APPELLEES HAVE NO TITLE TO 2341488.**(1) Appellants' Title.**

As pointed out above, the appellant corporation, by mesne assignments, acquired the entire right, title and interest in and to the third patent in suit, number 2341488, by written instrument of assignment on the 24th day of April, 1941 (Rec. pp. 262-265). The appellant corporation stands on the records of the United States Patent Office as the record owner of this third patent in suit (Liber U187 p. 64) (Rec. p. 265). As pointed out above, the acquisition by these appellants of the third patent in suit was by a bona fide purchase for valuable consideration without notice of any adverse claim by these appellees in and to such third patent in suit, or any of them.

(2) Appellee Selig Abandoned Invention of Patent 2341488.

The record clearly establishes that George A. Selig, who financially assisted Lloyd M. Taylor in the solicitation and procurement of the first two patents in suit, namely 2199423 and 2275478, testified on cross examination as follows:

“None of the \$700 that I paid for the patent applications went toward the issuance of the '488 patent.” (Rec. pp. 94-95)

“As to exhibit 6 (patent No. 2341488) * * * I knew nothing about the development of the engine which is represented in plaintiffs' exhibit number 6 except that at the time we developed the first engine this particular system was considered and *discarded* because it appeared to be too cumbersome, in production it would be too costly and it provided possibilities of new bugs, for example, parts of this were bolted together, whereas the other is integrally one particular unit, it is complete, this, in the opinion of some, may have ad-

vantages over the other, I do not know * * *." (Rec. p. 80)

Consequently, this court properly can reverse the ruling of the district court that these appellants, and each of them, have infringed upon the third patent in suit, namely 2341488, for the dual reason that neither of the plaintiffs George A. Selig, nor his licensee, the appellee corporation, have the capacity to sue as owners or licensees of said third patent not only because the *appellee Selig had abandoned and discarded the invention* therein disclosed and claimed, had not paid for the patent application therefor as required by paragraph II of the initial assignment (Rec. pp. 170-171) requiring the expense of the applications to be paid for by the appellee Selig, and because of the uncontradicted and uncontroverted testimony of the patent expert Vale that the invention of the third patent in suit, number 2341488, was a *distinct departure from the initial invention* and could not be considered an improvement thereof, and, further, the appellant corporation, Taylor Engines, Inc., was the sole owner of the entire right, title and interest in and to the invention described and claimed in said third patent as well as of the patent itself as evidenced by the title records of the United States patent office, Liber U187 page 64, Record pages 262-265, defendants' exhibit C.

(3) Appellee's Asserted Title.

As above set forth, the appellees have made a specious claim to title to patent number 2341488 by virtue of an unsound, anomalous decision of the Supreme Court of the State of California. This Supreme Court decision was founded on a misinterpretation of the initial or original

assignment from Taylor to Selig (Rec. pp. 169-171) wherein the Supreme Court misapplied *to the Letters Patent* the modifying terminology *relating to the pending patent application* in such instrument of assignment. In other words, the Supreme Court used the phraseology *relating to the patent application* namely, "including each and every letters patent granted on any application which is a division, substitution for or continuation of said *parent application*" and held that such phraseology was applicable *to the letters patent rather than* to the application, per se.

Moreover, the appellees assert that the abortive license of September 18, 1940, which the Supreme Court construed in connection with the initial assignment from Taylor to Selig, included the invention of the third patent in suit. As pointed out above, the patent expert Vale testified without contradiction and his testimony is nowhere controverted in the record, that the invention of the third patent in suit was *a distinct departure* from the inventions of the first two patents (Rec. pp. 135-136) and, consequently, the invention of the third patent in suit and the patent itself cannot properly be concluded to be included in the abortive exclusive license, which license was retained by the officers of the appellee corporation by fraudulent dealing with Taylor in November of 1940.

D) ISSUE OF TITLE NOT RES ADJUDICATA.

It is well settled that to lay a foundation for res adjudicata and to sustain the plea thereof, it must be shown that the parties to the previous action are the same as the parties to the pending action, or that they are in privity, and that the issues are the same. This rule is made statutory in the State of California.

Harrison v. Remington Paper Co., 140 U.S. 385, 394,
400;

30 Am. Juris. Section 278, page 995;

Section 1908, C.C.P. of the State of California.

The state court decisions in the proceedings bearing the number 302607, brought by Lloyd M. Taylor against All Steel Engine Company, Inc., a California corporation, et al., establishes on its face that these appellants, nor any one of them, were not parties to such action. Moreover, the testimony of Ernest L. Smith, president of the appellant corporation, called by the plaintiff below under Rule 43, (B) of the Rules of Civil Procedure, establishes that there was no privity between these appellants, or any of them, with any party to said state court action. This testimony, having been elicited from plaintiffs' own witnesses and not having been impeached or contradicted in any manner whatsoever, is binding upon the appellees herein. This testimony is as follows:

"I was present in the state court during the trial of the action brought in the name of Taylor; the costs of that action were not advanced by Taylor Engines; Taylor Engines did not put up any money; there is a credit on the books in the name of Taylor, his own money that he is credited with; his advance to his own credit on our books; he had the money already in the organization and it was his, he was credited with that amount of money; the money was paid out to Taylor it was not paid to Vincent Surr as far as I know; * * *"
(Rec. p. 121)

In the same vein, the testimony of Brotherhood, also called by the plaintiffs below under Rule 43(B) of the

Rules of the Civil Procedure established that there was no privity between these appellants and Lloyd M. Taylor in said state court action. Mr. Brotherhood's testimony is as follows:

"* * * that in the state court action of Taylor v. All Steel Engines, Inc. and the Seligs he was not at the trial; the company did not pay anything on that trial; the company's books show that Lloyd Taylor had a credit on the books and that some time in 1943 there were some checks drawn payable to Mr. Surr and were charged to Lloyd Taylor's account." (Rec. pp. 121-122)

Further, on this question of privity of these appellants to either Lloyd M. Taylor or other parties to the above referred to state court action, this court's attention is respectfully invited to the following decisions:

Litchfield v. Goodnow, 123 U.S. 549, 30 Law Ed. 199;
Old Dominion Co. etc. v. Bigelow, 3 Mass. 159, 89 NE193;
Rumford Chem. Works v. Hygenic Co., 215 U.S. 156, 54 Law. Ed. 137.

In the *Rumford Chemical Works* case, supra, the Supreme Court stated in part:

"It appears that the NY company contributed to the expenses of the former case. But that fact alone is not enough to warrant a different result. The agreement disclosed in 170 Fed. 523 was not before the court. We may reject as extravagance the suggestion that the contribution may have been made from charitable motives, and assume that it was induced by reason of business and indirect interest; but it was not shown that, as between the present and former defendant even Hygenic Co. had the right to intermeddle in any

way with the conduct of the case. The Hygenic Co. would have been glad to see the Rumford patent declared void, and were willing to pay something to that end. *That was all, and that did not make them privies; and therefore the Clotworth deposition was not admissible against them. Litchfield v. Goodnow, 123 U.S. 549, 550, 31 Law Ed. 199, 201, 8 Sup.Ct. 210.*" (Emphasis is supplied)

In other words, even if these appellees had established that the appellants individually or as a corporation had contributed to the expense of Taylor in the state court decision, that fact alone would not make them privies. But, of course, the record abundantly establishes that these appellants did not make any contributions to Taylor in the prosecution of the state court action referred to.

Moreover, even if these appellants had been parties to the state court action of Lloyd M. Taylor, the evidence and decision in the Taylor action are not admissible in this action because the issues in the two actions are not the same. The law is well settled that before prior actions can be admitted in evidence as *res adjudicata*, the issues in the two actions must be the same.

U. S. v. Read Co., 183 Fed. 427 (Mod. on different point);

Bigelow v. Old Dominion Co., 225 U.S. 111;

Harrison v. Remington Paper Co., 140 Fed. 385.

In this state court action *the courts were not called upon to decide the import and effect of the November 1, 1940 reconveyance to Taylor; the instrument under which appellants claim title in the present action.*

It will only take a cursory examination by this court of the state court decision to determine that the issues involved in the Taylor state court action were the reacquisition by Taylor of the one-half ($\frac{1}{2}$) interest that he had assigned originally to George A. Selig as well as the acquisition of any interest that the All Steel companies, both California and Nevada corporations, had acquired from George A. Selig. The half interest of Lloyd M. Taylor, which the appellant corporation acquired as hereinabove stated, was not in issue in the state court action whatsoever.

On the other hand, in the present action, the one-half ($\frac{1}{2}$) interest of Taylor, which was transferred to the appellant corporation, is at issue on the question of infringement and because by such acquisition of Taylor's one-half ($\frac{1}{2}$) interest the appellant corporation became a co-owner with appellee George A. Selig of a one-half ($\frac{1}{2}$) interest in the first two patents in suit, number 2199423 and 2275478, and became the owner of the entire interest in the third patent in suit, number 2341488. Moreover, the question of infringement is involved in the present action and it was not involved in the state court actions.

Consequently, under the foregoing authorities, this court can properly rule that the court below erroneously admitted the state court decisions as against these appellants and erroneously held that these appellants were "parties in interest" in the state court action.

Under the doctrine of *res adjudicata*, a judgment may be regarded as conclusive *only* between the parties and their successors in interest by title acquired *subsequent* to the commencement of the action. Therefore, a person to whom a party to an action has made an assignment of granted

property or interest therein *before* the commencement of the action is not regarded as in privity with the assignor or grantors so as to be affected by judgment rendered against the assignor or grantor in the subsequent action.

30 *Am. Juris.* page 959, 960;

Chase Nat'l Bank v. Norwalk, 291 U.S. 431, 78 Law Ed. 894;

Postal Tele. etc. Co. v. Newport, 247 U.S. 464, 62 Law. Ed. 1215.

In the case at bar, the evidence establishes that the acquisition of Taylor's interest in the patents in suit was acquired on April 24, 1941 more than a month prior to the commencement of the state court action and *not subsequent* to the commencement of that action. Accordingly, this court properly can conclude on this ground that the court below erred in admitting the state court decisions as *res adjudicata* against these appellants.

V.

NON-INFRINGEMENT

The argument under this topical heading is addressed to assigned errors 1, 2, as well as 5 and 15 (as to infringement), of the specifications of errors, *supra*, which particular errors compositely may be stated as a single error as follows:

- That the court below erred in holding that these appellants, and each of them, have infringed and now are infringing upon the patents in suit.

At the outset, the court's attention is respectfully invited to the cogent fact that the record is barren of any

proof of infringement on the part of these appellants, or any one of them.

The plaintiffs below introduced no physical exhibit of any engine which was claimed to have been made, sold or used by these appellants nor by any licensee of these appellants, nor did plaintiffs below apply any claim of any one of the patents in suit against or upon any structure, machine, engine or other physical embodiment of any Taylor engine to establish the plaintiffs' charge of infringement.

In view of the well-settled principle of patent law that the burden is upon plaintiff to establish infringement of the patents sued upon by a preponderance of the evidence, it is abundantly clear that the court below erred in ruling that these defendants and each of them, have infringed and were continuing to infringe upon the patents in suit—since not a scintilla of evidence was even offered let alone introduced in evidence on the subject of infringement.

Seymour v. Osborne, 78 U.S. 516, 20 Lawyers Ed. 33;
Magnavox v. Hart & Reno, 73 Fed.2d 443 (C.C.A.
 9);

Bates v. Coe, 98 U.S. 31, 25 Lawyers Ed. 68.

To sustain the burden of proof of infringement, the party claiming infringement must show identity of result, identity of means, and identity of function of the means between the alleged infringing device and the claims of the patent.

General Electric Co. v. Parr Elec. Co., 21 Fed. Sub.
 47;

Continental Paper Bag Co. v. Eastern Paper Bag Co., 210 U.S. 405, 51 Law. Ed. 922.

It is submitted that, without question, the court below erred in its judgment of infringement, and that this court is clearly warranted in reversing the judgment on such issue of infringement.

Aside from the total lack of evidence of any physical embodiment of the invention of the claims of the patents sued upon, the plaintiffs below wholly failed to sustain its burden of proof of infringement for the reason that these appellants are, from the established evidence of record, tenants in common with the plaintiff, George A. Selig, of patents 2199423 and 2275478. In this connection, reference is especially invited to Vol. II of the Transcript of Record (Book of Exhibits) (Rec. pp. 258-265), defendants' exhibits B and C, which as stated above, transferred all of the interest of Lloyd M. Taylor in patent number 2199423 and pending application 333465 which matured into patent number 2275478, by mesne assignments to the appellant corporation, as well as the transfer of the entire right, title and interest in and to patent application number 387410 which matured into patent number 2341488, in suit. Both of these assignments just alluded to are recorded in the United States patent office, pursuant to 35 U.S.C.A. 47, in Liber U187, page 62, and Liber U187, page 64, as indicated in the record (Rec. p. 261 and 265, respectively).

The law is well-settled that a part owner of a patent, such as the appellee George A. Selig as to patents 2199423 and 2275478, has no right to enjoin infringement of the patents by his co-owner.

Bell etc. v. Bass, 262 Fed. 131.

Tenants in common under a patent right will arise whenever the sole owner of such a right in a territory of the

United States or a part thereof conveys to another an undivided interest in the whole or part of the right which he owns. The ordinary incidents of tenants in common thereafter appertain to such ownership and each owner becomes entitled to use the invention without accounting to the other. Nor, can there be any recovery of profits or damages against any licensee of such co-owner at the suit of any co-tenant of such licensor.

Drake v. Hall, 220 Fed. 905;

Central Brass etc. v. Stuber, 220 Fed. 909;

Halbert v. Quaker State Oil etc. Co., 28 Fed. Sub. 544, 548.

It is therefore submitted that in view of the foregoing authorities that neither the plaintiff, George A. Selig, nor any licensee of his, can maintain an action to enjoin infringement of patents 2199423 and 2275478, in suit as against the appellant corporation, or any of the individual appellants who are officers of the appellant corporation. The final judgment of the court below holding that these appellants, and each of them, have infringed upon patents 2199423 and 2275478 should, therefore, be reversed and the writ of injunction issued herein be vacated.

As to patent number 2341488 in suit, the record clearly establishes that the appellant corporation is the owner of the entire right, title and interest in and to said patent and, therefore, under the patent laws of the United States is vested with the sole right to make, use and sell the invention and embodiments thereof and cannot be enjoined from so doing. That is the right accorded to all patentees and the plaintiffs are not record owners in the patent office of

patent number 2341488 and rightfully have no claim thereto (Rec. p. 197).

With respect to the right asserted by the appellee corporation to exclude others from making, selling or using embodiments of the invention disclosed in patent number 2341488, the court's attention is respectfully invited to the testimony of the patent expert, Baldwin Vale (Rec. pp. 132) as follows:

“That with respect to the last patent, plaintiffs' exhibit number 6, the structure shown in the drawings of that patent with relation to the structure of the first patent is a distinct departure both in structure and mode of assembly; that with respect to the claims of the third patent, they were not in this form in either of the other patents * * *”

“The characteristics of the third patent, number '488, is that it consists of three distinct units—the crankcase, which forms the base of the engine, to which is bolted an oil pan, which also completes the main bearing for the crankshaft, and then above that is the cylinder head unit.” (Rec. p. 132)

The above testimony of the patent expert, Baldwin Vale, was at no time controverted throughout the trial, and standing uncontradicted clearly establishes that the invention of the third patent in suit, namely, patent number 2341488, cannot in any sense of the word be considered an improvement or change in the invention of the first and second patents in suit and, therefore, cannot be properly held to be included in the purported exclusive license of September 18, 1940 which the court below erroneously ruled to be a valid and subsisting exclusive license in the appellee corporation.

VI.

LACHES

This portion of the argument is addressed to Assigned Error 15 of the Specification of Errors, supra, with respect to the finding that the appellees, and particularly the appellee corporation was not guilty of laches.

As to the issue of laches, which were joined in issue on the trial below, this court is warranted in reversing the inferred ruling of the court below in not holding that the appellee corporation was guilty of laches in bringing this action because over five and a half years elapsed from the date of first knowledge of the appellee and appellee corporation, namely, as early as March 6th, 1941, before the commencement of the present action in November, 1946. The authorities are legion that asserted owners of patent rights cannot sleep on their rights and permit others to expend large sums of money and make substantial changes of position, and then seek recovery in a court of equity. Some of the principal authorities on this subject are as follows:

Gillons v. Shell Oil Co., 32 U.S.P.Q. 1 (C.C.A. 9)
Fed.2d;

Kelley v. Boettcher, 85 Fed. 55, 62;

Gallaher v. Cadwell, 145 U.S. 368, 36 Law Ed. 738.

The record clearly establishes that subsequent to March 6, 1941 and commencing in the latter part of April, 1941 the appellant corporation expended considerable sums of money amounting approximately to one hundred sixty thousand dollars (\$160,000.00) in connection with the patents in suit and the inventions of Lloyd M. Taylor (Rec. pp. 139-140). Mr. Alfred W. Gorman, vice-president of

appellant corporation testified that Taylor Engines, Inc. had invested approximately \$165,000.00 in developing the Taylor inventions; that Mr. Taylor and some of his associates were sent east in connection with the invention and that the value of the stock interest granted to Lloyd Taylor for the transfer of his rights to the patents in suit and which Mr. Taylor sold to Mr. Gorman and the corporation amounted to thirty-eight thousand five hundred dollars (\$38,500.00). Thus, it is clearly established that from the time that the appellee corporation and its officers knew of the interest of the appellant corporation in the Taylor Engines, Inc., and its organizers, that is to say in the early part of March, 1941 when the organizers had expended very little money and the corporation had spent nothing the appellee corporation and its officers and directors sat idly by and permitted the appellant corporation to expend considerable moneys in developing the Taylor inventions and under the patents in suit.

The foregoing authorities are uniform to the effect that laches does not grow out of the mere passage of time but it is founded upon the inequity of permitting a claim such as the claim of the appellee corporation to the patents in suit to be enforced—an inequity founded upon the change in the condition or relations of the property involved.

Reference in this connection is made to the case of *Westo-Chipewa Pump Co. v. Delaware etc. Co.*, 64 Fed.2d 185, wherein it was established that the corporation had expended some eighty-five thousand dollars (\$85,000.00) and manufactured some 27,000 pumping units and had equipped a new factory with an expenditure of a quarter of a million dollars. The court in the *Chipewa Pump Co.* case held that

it would virtually destroy this entire investment if an injunction were to issue and therefore refused the injunction in consequence of plaintiffs long delay in asserting its rights.

VII.

CONCLUSION

From the foregoing, it is respectfully submitted that this court should reverse the ruling of the court below not only as to the issue of capacity of the appellee corporation to institute this action but also as to the capacity of the appellee George A. Selig to institute the action by reason of the vested rights of the appellant corporation in the third patent in suit and as tenants in common with George A. Selig as to the other two patents in suit; that it should reverse the lower court's ruling that the state court decisions are res adjudicata against these appellants; that it should reverse the ruling of the court below that these defendants, and each of them, have infringed upon the three patents in suit; and should order that the writ of injunction issued herein be vacated.

Respectfully submitted,

WHITE & WHITE

By

.....

Attorneys for Appellants.

No. 12623

United States
Court of Appeals
for the Ninth Circuit.

PACIFIC AMERICAN FISHERIES, INC.,
Appellant,

vs.

M. P. MULLANEY, COMMISSIONER OF TAX-
ATION, TERRITORY OF ALASKA,
Appellee.

Transcript of Record

Appeal from the District Court
for the Territory of Alaska
Division Number One.

FILED

SEP 19 1950

PAUL P. O'BRIEN,

CLERK

No. 12623

United States
Court of Appeals
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[Clerk's Note: When deemed likely to be of an important nature, errors or doubtful matters appearing in the original certified record are printed literally in *italic*; and, likewise, cancelled matter appearing in the original certified record is printed and cancelled herein accordingly. When possible, an omission from the text is indicated by printing in *italic* the two words between which the omission seems to occur.]

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Juneau, Alaska,

For Appellee.

In the District Court for the Territory of Alaska
Division Number One at Juneau
Civil Action, File Number 6137-A

PACIFIC AMERICAN FISHERIES, INC.,
Plaintiff,

vs.

M. P. MULLANEY, Commissioner of Taxation,
Territory of Alaska,
Defendant.

COMPLAINT FOR INJUNCTION
AND OTHER RELIEF

For cause of action against the defendant, the plaintiff alleges:

I.

This action arises under Chapter 66 of the Session Laws of Alaska 1949, and the Court has jurisdiction of this cause by virtue of the provisions of Section 53-2-1 of Alaska Compiled Laws Annotated 1949 (Section 3302 CLA 1933).

II.

That plaintiff is a corporation organized under the laws of the State of Delaware and authorized to do business in the Territory of Alaska and that it has complied with all the laws of the Territory with reference to foreign corporations doing business therein and it has paid all its annual license fees due the Territory and it is engaged in salmon fishing and in the preparation of salmon for food and in the canning and packing thereof, at various

places in Alaska in both the First and Third Judicial Divisions, and that it employs approximately 400 non-resident fishermen as that term is defined by Chapter 6 of the Session Laws of Alaska 1949. This includes not only full time employees of plaintiff but those non-residents from whom plaintiff purchases fish.

III.

That defendant is the Commissioner of Taxation of the Territory of Alaska and charged with the duty of collecting and enforcing the collection of all taxes and license fees imposed by the laws of Alaska, and he and his deputies and agents are vested with police powers to enforce tax laws and license laws; and he resides within the Territory of Alaska, First Judicial Division at Juneau; and he is being sued on account of acts which he immediately intends and threatens to perform under color of law, in his official capacity as such Commissioner of Taxation.

IV.

That at the regular 1949 Session of the Alaska Legislature there was passed an act designated Chapter 66 of the Session Laws of Alaska 1949, imposing a license tax of \$50.00 annually on non-resident fishermen as defined therein, and \$5.00 per annum on resident fishermen, and in the act a non-resident fisherman is described as a citizen who has not resided in Alaska for twelve months immediately preceding the application for license or one who maintains his principal business or place of abode outside the Territory, and this purported law was approved by the Governor of Alaska on

March 21, 1949, and reference is made thereto for its provisions.

V.

That Chapter 66 is invalid and of no force or effect because it imposes a higher tax on non-residents than on residents; it makes an unlawful distinction between residents and non-residents and wrongfully defines a non-resident, and it was passed in violation of Sections 9 and 8* of the Organic Act of Alaska (37 Stat. 512); and in violation of Section 3, Page 50, Volume 1, Alaska Compiled Laws 1949 (Sec. 464 CLA 1933); and in violation of the 5th and 14th Amendments to the Constitution of the United States; and in violation of Section 41, Title 8, USCA (Rev. Stat. Sec. 1977).

VI.

That in the collection of license taxes which the Territory of Alaska is permitted to impose under the provisions of the Organic Act of Alaska, there is no additional enforcement burden imposed upon the Territory in the collection of taxes on non-residents and no additional enforcement regulations are required, no additional expenditures are necessary in the collection of such license fees and taxes on non-residents engaged in salmon fisheries, and no taxes are levied upon residents of the Territory, any part of which are required for conservation or enforcement expenditures or expenses of collection of taxes from non-residents in addition to the expenses required for the collection thereof from residents; that there is no basis in law or in fact and

on application of appellant, the District Court on June 30, 1950, in open court, permitted amendment of "and" to paragraph V.

no power given the Territory to discriminate between residents and non-residents in the matter of fishing licenses; that the collection of taxes from non-residents engaged in salmon fisheries of Alaska is less burdensome, less expensive and requires less effort on the part of the Territory than the collection of taxes from residents, and this is particularly true with reference to the taxes levied under the provisions of Chapter 66, Session Laws of Alaska 1949, and it is especially true with reference to those engaged in salmon fisheries, including the plaintiff.

VII.

That the 400 non-residents hereinabove mentioned employed by the plaintiff and from whom the plaintiff purchases salmon during the season of 1949, are all subject to the \$50.00 tax imposed by the provisions of Chapter 66, and plaintiff purchases fish from both resident and non-resident fishermen; and that Chapter 66 is purely a revenue measure.

VIII.

That defendant and his deputies and agents have demanded from the plaintiff payment of the \$50.00 tax levied by the provisions of Chapter 66, on each non-resident employed in plaintiff's fishing operations, who is defined as a fisherman under the provisions of Chapter 66, and on each non-resident from whom plaintiff purchases fish, and defendant and his deputies and agents have threatened plaintiff with criminal prosecution and with arrest of its non-resident employees and of the non-resident

fishermen from whom it purchases fish, unless plaintiff pays the tax of \$50.00 on each non-resident employee and non-resident fisherman as defined in the Act; and he has threatened to disrupt and destroy plaintiff's canning operations and destroy its investment necessary to its fishing and canning operations, thereby causing plaintiff great financial loss and irreparable injury.

That at Naknek, Alaska, where one of plaintiff's salmon canneries is situated, during the month of July, 1949, the defendant sent his deputies and agents to plaintiff's property with warrants of arrest and by means of threats and coercion forced plaintiff and its employees and non-resident fishermen from whom plaintiff purchases fish, to pay to the defendant the sum of approximately \$4,000.00 in non-resident fishermen's license taxes, and plaintiff was forced to pay this amount or, in the alternative, close its fishing operations, thereby suffering great financial loss and irreparable injury; and that there remain approximately 320 non-resident fishermen in plaintiff's employ in Alaska, and non-residents from whom plaintiff purchases fish, and upon whom it depends for its fish supply in its cannery operations; and defendant is threatening plaintiff and its employees with criminal prosecution, fines and jail sentences, unless the license tax levied by Chapter 66 aforesaid is paid immediately on each of the aforesaid 320 men.

IX.

That attached hereto is an affidavit of S. G. Tarrant, which gives the details of plaintiff's fishing

and canning operations in Alaska, and names the places where plaintiff carries on a large number of operations, and this affidavit is made a part of this Complaint and marked "Exhibit A" and prayed to be read as a part hereof.

X.

That in preparation for the salmon fishing season, the plaintiff has been obliged to expend large sums of money in the purchase of equipment, cans, boxes, fishing gear, supplies of various kinds, and in the transportation of men and supplies to the Territory, and it has paid numerous license fees required by the laws of the Territory for engaging in salmon fishing and canning. The salmon canning season is different in different localities according to the time when the fish run, and it has been greatly curtailed during the present season, so that unless plaintiff is permitted to carry on its fishing and canning operations during the times prescribed by the Fish and Wildlife Service of the United States, which has exclusive jurisdiction to regulate the fisheries of Alaska, it will suffer a financial loss which will be very great and irreparable, and if defendant and his agents and deputies carry out the threats they have made to begin criminal prosecution against plaintiff and the non-resident fishermen from whom it gets a large part of its fish supply, plaintiff's operations will be disrupted and its business destroyed and the large sums of money expended by it in preparation for its canning operations for the 1949 season will be lost.

XI.

That under some of its union contracts with its non-resident fishermen employees and non-residents from whom it purchases fish, plaintiff is bound to pay all fishing fees lawfully levied by the Territory of Alaska, and under other contracts the non-residents are bound to pay the tax and in some instances the plaintiff is obligated to pay the tax on certain classes of non-residents as defined in Chapter 66, and on others the individuals engaged in fishing are obligated to pay the tax, and plaintiff has no means of requiring those to pay the tax even under protest, but it is liable to heavy fines and to criminal prosecution and severe penalties for having in its employ fishermen as defined in Chapter 66, who do not pay the tax, and to similar fines and severe penalties for purchasing fish from non-resident fishermen who shall fail to pay the tax, and by virtue of the provisions of Chapter 66 and the penalties which it imposes, plaintiff, in order to carry on its fishing operations, must itself pay a tax which is not imposed upon it but which is imposed upon fishermen in its employ and non-residents from whom it purchases fish, whether it is obligated to do so by its union contracts or not.

XII.

That the amount of the tax under the provisions of Chapter 66 aforesaid, which defendant is demanding from the plaintiff in addition to that already paid, is approximately \$16,000.00, and plaintiff is threatened with an immediate, substantial

and irreparable injury for which it has no adequate remedy at law, because of defendant's demands and threats and the acts of defendant and his deputies and agents as hereinabove alleged, and plaintiff's only remedy is by injunction of this court.

Wherefore, plaintiff prays:

1. That process issue against the defendant to answer this Complaint (but not under oath or affirmation, the benefit whereof is expressly waived by plaintiff).

2. That pending a hearing on plaintiff's application for a preliminary injunction, the Court issue herein a temporary restraining order restraining defendant and his agents and deputies from doing any act or thing for the purpose of enforcing the provisions of Chapter 66, Session Laws of Alaska 1949, which apply to non-resident fishermen as therein defined, or for the purpose of collecting from plaintiff any part of the tax levied on non-resident fishermen or from interfering with the operations of non-resident fishermen in the employ of plaintiff and those from whom plaintiff purchases fish.

3. That after notice and hearing this Court grant to plaintiff a preliminary injunction restraining defendant and his agents and deputies from doing any act or thing for the purpose of enforcing the provisions of Chapter 66, Session Laws of Alaska 1949, which apply to non-resident fishermen as therein defined, or for the purpose of collecting from plaintiff

any part of the tax levied on non-resident fishermen or from interfering with the operations of non-resident fishermen in the employ of plaintiff and those from whom plaintiff purchases fish.

4. That upon final hearing this Court enter a final order and decree to the same effect.

5. That upon the final hearing the Court enter an order adjudging and decreeing that Chapter 66 of the Session Laws of Alaska, 1949, is null and void and of no legal force or effect as it applies to non-resident fishermen as therein defined, and to fishermen engaged in the salmon fishing industry.

6. That the Court grant such other relief as may seem meet in the premises.

PACIFIC AMERICAN
FISHERIES, INC.,

By /s/ S. G. TARRANT,

Vice-President.

FAULKNER, BANFIELD &
BOOCHEVER,

By /s/ H. L. FAULKNER,

Attorneys for Plaintiff.

United States of America,
Territory of Alaska—ss.

I. S. G. Tarrant, being first duly sworn on oath, depose and say: That I am Vice-President of the

Pacific American Fisheries, Inc., the plaintiff hereinabove named, and make this affidavit on its behalf, and I am authorized to do so; that I have read the foregoing Complaint and know the contents thereof and the facts therein stated are true and correct as I verily believe.

/s/ S. G. TARRANT.

Subscribed and sworn to before me this 4th day of August, 1949.

[Seal] /s/ R. BOOCHEVER,

Notary Public for Alaska.

My Commission Expires October 20, 1951.

EXHIBIT "A"

Affidavit of S. G. Tarrant

United States of America,
Territory of Alaska—ss.

I, S. G. Tarrant, being first duly sworn, depose and say:

1. That the Pacific American Fisheries, Inc., is a corporation organized under the laws of Delaware and authorized to do business in the Territory of Alaska and it has been doing business therein for more than 25 years and it is engaged in fishing for salmon and canning and shipment of salmon and fish products and in the general fisheries business within the Territory of Alaska and that it has paid all of its corporation license taxes due the Territory, filed its annual reports and qualified in

every respect as a corporation to do business in Alaska.

2. That I am Vice-President of the Pacific American Fisheries, Inc., and production manager and in charge of all fisheries operations of the company within the Territory of Alaska and have general charge thereof.

3. That the plaintiff, Pacific American Fisheries, Inc., operates salmon canneries at Nushagak, Naknek, Port Moller, King Cove, Squaw Harbor, Alitak, Kasaan, and it has joint fishery and cannery operations with other corporations and conducts its operations in the Third and First Judicial Divisions of the Territory, and that it employs both residents and non-residents in its fishing and canning operations.

4. That the corporation employs at the present time approximately 325 non-residents in its fisheries operations including fishermen, trap watchmen, tender crews and others who are subject to the provisions of Chapter 66 of the Session Laws of Alaska, 1949.

5. That the defendant, M. P. Mullaney, Commissioner of Taxation of the Territory of Alaska, has demanded of the Pacific American Fisheries, Inc., payment of the \$50.00 non-resident tax imposed by the provisions of Chapter 66 on non-resident employees of the corporation, and he has threatened the corporation with criminal prosecution unless payment of the tax is made.

6. That at Naknek, Alaska, during the month of July, 1949, the defendant, M. P. Mullaney, Commissioner of Taxation, and his deputies and agents, threatened the company and its employees with immediate arrest unless the payment was made of the \$50.00 tax imposed by the provisions of Chapter 66, on each non-resident employee of the company, and they threatened the corporation with criminal prosecution on account of its employment of non-resident fishermen and employees, unless the tax of \$50.00 each was paid on all non-resident employees, and on account of its purchases of fish from non-resident fishermen.

7. That in order to avoid arrest and criminal prosecution, the company and its employees paid to the Tax Commissioner approximately the sum of \$4,000.00 as the tax on 80 employees.

8. That there are approximately 245 non-resident employees of the company engaged in fishing operation in the Territory of Alaska and in the First and Third Judicial Divisions, upon whom the tax has not been paid, but who have been threatened with criminal prosecution if it is not paid, and the company has also been threatened with criminal prosecution for its employment of these non-residents without the payment of the tax and for purchasing fish from them.

9. That included in the numbers hereinabove given are independent fishermen who are not employees of the company, but from whom the company buys fish, and the company is threatened with

criminal prosecution for the purchase of fish from these fishermen unless the tax of \$50.00 is paid.

10. That the company is obliged to carry on all of its operations in the Territory under contracts with various fishermen's and cannery workers' unions and other unions such as machinists, etc., and by the terms of some of its union contracts the company is obligated to pay all lawful license taxes levied on its employees and fishermen, both residents and non-residents, and under the provisions of Chapter 66, Session Laws of Alaska, 1949, the company is subjected to a criminal penalty and to criminal prosecution and large fines for non-payment of the non-resident fishermen's tax of \$50.00 or for employing non-residents who do not pay the tax or for purchasing fish from non-residents who do not pay the tax.

11. That the total tax which the Territory is demanding from the company under the provisions of Chapter 66, Session Laws of Alaska, 1949, is approximately \$12,250.00, in addition to the \$4,000.00 already paid.

12. That I have had many years experience in fishing and in supervising fishing operations in the Territory of Alaska, and I am familiar with the methods employed for hiring men and for purchasing fish from fishermen; that under the laws of the Territory the duty of collecting license taxes due from fishermen and from employees of corporations operating canneries and engaged in fisheries in Alaska is imposed upon the operators, including

Pacific American Fisheries, Inc.; that this applies to the purchase of fish from resident and non-resident fishermen; that the tax on non-resident fishermen is always collected through the operators including Pacific American Fisheries in its operations, and this has been in accordance with the law and the practice for many years and this obligation is imposed under the provisions of Chapter 66 of the Session Laws of Alaska, 1949, and all other taxing laws; that the Territory has no additional expense, requires no additional enforcement officers and is put to no additional effort and to no inconvenience in the matter of collecting license taxes from non-residents, and the collection of taxes and license fees from non-residents engaged in salmon fisheries, under the provisions of the laws of the Territory and under the practice of the Territory and its officials, is less expensive, requires less supervision and fewer enforcement officers than the collection of the tax from residents.

/s/ S. G. TARRANT.

Subscribed and sworn to before me the 3rd day of August, 1949.

[Seal] /s/ R. BOOCHEVER,

Notary Public for Alaska.

My Commission Expires October 20, 1951.

[Endorsed]: Filed August 5, 1949.

[Title of District Court and Cause.]

ORDER TO SHOW CAUSE AND TEMPORARY
RESTRAINING ORDER

This matter having come on this day before the court upon the application of the plaintiff above-named for an order directed to the defendant ordering him to show cause why a temporary injunction should not be issued herein, and for a temporary restraining order pending the hearing on the application for temporary or preliminary injunction; and the sworn complaint of plaintiff and the affidavit of S. G. Tarrant having been filed and considered; and it appearing to the court that defendant is threatening to cause criminal prosecution to be instituted against the plaintiff and to cause the arrest and imprisonment, or the imposition of fines or both on non-resident fishermen in the employ of the plaintiff and on non-resident fishermen from whom plaintiff purchases salmon in Alaska, under the provisions of Chapter 66 of the Session Laws of Alaska, 1949; and it appearing that Chapter 66 levies a tax of \$5.00 on each resident fisherman engaged in salmon fishing in Alaska, and a tax of \$50.00 on each non-resident fisherman and that it prohibits the employment of anyone by the plaintiff who is classified by Chapter 66 as a non-resident fisherman unless the tax is first paid; and that it prohibits the purchase of salmon from independent fishermen who are classed as non-residents, unless the tax is first paid; and that plaintiff in its salmon packing operations obtains its fish supply in large

part from 400 non-residents as such are defined by Chapter 66, Session Laws of Alaska, 1949, some of whom are in the employ of plaintiff and others independent fishermen; and it further appearing from the sworn complaint and from the affidavit filed therewith,

That plaintiff has made extensive preparations for the canning of salmon at different canneries in the First and Third Judicial Division, and has expended a large sum of money in the preparations, and that if it is prohibited from taking fish from fishermen because they have not paid the non-resident fishermen's tax, it will be deprived of a large part of its necessary fish supply and the expenditures already incurred will in a large measure be lost and that the injury to plaintiff will be irreparable, and that plaintiff has no adequate remedy at law and no remedy save through injunction and restraining order, and

The court having already held in the case of *Martinson et al. vs. Mullaney* that under the circumstances and facts alleged and set forth in the complaint in the above-entitled cause, and in the affidavit filed on behalf of the plaintiff, if true and not successfully controverted, the tax of \$50.00 on non-resident fishermen engaged in handling halibut as against a tax of \$5.00 on residents similarly engaged, is invalid,

It Is Now Therefore Ordered That the defendant above-named is hereby cited to appear before this court at Juneau, Alaska at 2:00 p.m. on the 12th day

of August, 1949, and show cause, if any there be, why an injunction pendente lite should not be granted enjoining and restraining him and all his deputies and agents from doing any act or thing for the purpose of collecting from plaintiff or its non-resident employees or non-resident fishermen from whom plaintiff purchases fish any amounts claimed to be due the Territory of Alaska under the provisions of Chapter 66, Session Laws of Alaska, 1949, and from interfering with plaintiff's purchase of fish from non-resident fishermen who have not paid the tax imposed, and pending the hearing on plaintiff's application for preliminary injunction herein.

It Is Further Ordered that defendant and his agents and deputies be, and they are hereby restrained from doing any of the acts and things set forth in the preceding paragraph of this order, and,

It Is Further Ordered that a certified copy of this order be served upon the defendant forthwith.

This order shall be in effect upon the condition that plaintiff file herein its bond to be approved by the Court in the penal sum of \$16,000.00 conditioned that plaintiff will pay to the defendant the tax on non-resident fishermen in its employ and on those from whom it purchases fish if this order is wrongfully issued or in the event judgment is rendered against the plaintiff.

Dated at Juneau, Alaska this 5th day of August, 1949.

/s/ GEORGE W. FOLTA,
Judge.

Entered Court Journal No. 19, Page 233-34.

[Endorsed]: Filed August 5, 1949.

[Title of District Court and Cause.]

BOND ON TEMPORARY
RESTRAINING ORDER

Know All Men by These Presents :

That we, the undersigned, Pacific American Fisheries, Inc., a corporation organized under the laws of the State of Delaware, doing business in Alaska, as Principal, and United States Fidelity and Guaranty Company, a corporation authorized to carry on insurance and surety business in Alaska, as Surety, are held and firmly bound unto M. P. Mullaney, Commissioner of Taxation for the Territory of Alaska, the above-named defendant, and his successors in office, for the benefit and indemnity of whom it may concern in the penal sum of Sixteen Thousand (\$16,000.00) Dollars lawful money of the United States of America, for the payment of which sum to the above-named defendant or his successors in office for the benefit and indemnity of whom it may concern, as aforesaid, we bind ourselves and each of us and our successors and assigns, jointly and severally, firmly by these presents.

Dated and sealed at Juneau, Alaska, this 5th day of August, 1949.

The condition of this obligation is such that whereas on August 5, 1949, the District Court for the Territory of Alaska, Division No. One, hereinabove mentioned, made and entered herein a Temporary Restraining Order enjoining and restraining the defendant pending the return on an Order to Show Cause issued on the same day in the above-entitled cause and in the same Restraining Order, from enforcing or attempting to enforce the provisions of Chapter 66, Session Laws of Alaska, 1949, against the plaintiff, so far as the provisions affect non-resident fishermen fishing in the Territory of Alaska who are in the employ of plaintiff, and non-resident fishermen in Alaska from whom plaintiff purchases fish and from doing any act or thing for the purpose of collecting from plaintiff or its non-resident employees engaged in fishing or non-resident fishermen from whom plaintiff purchases fish the non-resident tax claimed to be due on non-resident fishermen under the provisions of Chapter 66, Session Laws of Alaska, 1949, and from interfering with plaintiff's purchase of fish from non-resident fishermen who have not paid the tax imposed, all as more fully appears by reference to the Order to Show Cause and Temporary Restraining Order dated this day and on file in the above-entitled cause and which Order to Show Cause is returnable before the Court at 2 o'clock p.m. on August 12, 1949.

Now, Therefore, if the above-bounden Pacific

American Fisheries, Inc., a corporation, plaintiff hereinabove-named, its successors and assigns or either of them, shall at all times hereafter save and keep harmless M. P. Mullaney, Commissioner of Taxation for the Territory of Alaska, the defendant, and his successors in office and each of them, from and against any and all damages and costs that may arise by reason of the issuance of the Temporary Restraining Order and shall pay the tax on its non-resident fishermen employees and on non-resident fishermen from whom it purchases fish, if the provisions of Chapter 66, Session Laws of Alaska, 1949, are held by the Court to be valid as they apply to non-resident fishermen and as they apply to plaintiff, then this obligation shall be void, otherwise it shall remain in full force and effect.

This bond is a continuing bond and shall be in full force and effect pending the final disposition of the above-entitled cause unless otherwise ordered by the Court.

Dated at Juneau, Alaska, this 5th day of August, 1949.

PACIFIC AMERICAN FISHERIES, INC., a Corporation,

By /s/ H. L. FAULKNER,
Its Attorney—Principal.

UNITED STATES FIDELITY AND GUAR-
ANTY COMPANY, a Corporation,

By /s/ R. E. ROBERTSON,
Its Attorney-in-Fact and
Agent—Surety.

Executed in the Presence of:

/s/ PATRICIA L. WOOD.

/s/ G. WM. KRASILOVSKY.

Approved as to Form and Surety, This 5th Day of August, 1949.

/s/ GEORGE W. FOLTA,

District Judge.

Approved as to Form:

/s/ J. GERALD WILLIAMS,

Attorney General.

[Endorsed]: Filed August 5, 1949.

[Title of District Court and Cause.]

SUPPLEMENT AFFIDAVIT OF
S. G. TARRANT

United States of America,
Territory of Alaska—ss.

I, S. G. Tarrant, being first duly sworn, depose and say:

That I am Vice-President and Production Manager of the Pacific American Fisheries, Inc., the plaintiff hereinabove named, and I have been employed by the plaintiff for more than nineteen years with the exception of three years which I spent in the Armed Forces of the United States during the late war;

That I have been Production Manager in charge of all fishing and canning operations of the plaintiff in Alaska for more than two years and prior to that time I was Cannery Superintendent;

That I am familiar with all operations of the plaintiff in the Territory and with the method of collecting territorial taxes, including school tax and all license taxes due from the company and from its employees, and fishermen from whom it purchases fish;

That the custom has been for many years and now is for the Tax Commissioner to rely upon the company for collection of all license taxes due the Territory from fishermen, both residents and non-residents, and this is done without expense or effort upon the part of the Tax Commissioner or any other official of the Territory of Alaska. The bookkeeper of the company at the various canneries and where the company is carrying on operations, prepared each year a list of all those from whom taxes are due, both residents and non-residents, including fishermen's license taxes, and the bookkeeper makes out the applications and then issues one check for the entire amount of the tax due from both residents and non-residents, and forwards the check to the Tax Commissioner or to his deputy;

That there is no additional expense, no additional work and no additional effort required for the collection of taxes from non-residents, as against the tax from residents;

That the plaintiff, in its fishing and canning operations, at the various places set forth in my affidavit of August 3 on file herein, is required to invest large sums of money in preparation for the salmon pack each year and during the season of 1949 the plaintiff has invested approximately \$1,300,000 in preparation for its packing, its fishing and canning operations;

That the fishing season is fixed by the Fish and Wildlife Service of the United States which has control of the regulation of the fisheries for Alaska, and the seasons vary according to the fish run, and for the year 1949 most seasons have been shortened and they are very brief and they are approximately at follows:

Icy Straits Area	11½ days
Kasaan Area	15 days
Nushagak Area	11 days
Naknek Area	17 days
Port Moller Area	27 days
Kodiak Area	41 days
Alaska Peninsula Area	49 days.

That the Tax Commissioner is demanding of the plaintiff that it pay the tax on all non-resident fishermen in its employ and on all non-resident fishermen from whom it purchases fish, or cease to employ non-resident fishermen and cease to purchase fish from non-resident fishermen. The result of this is that the plaintiff must either pay a tax which is not imposed upon it or have its fisheries operations and cannery operations disrupted and its fishing

season shortened with consequent loss of a large portion of the sum invested in preparation as hereinabove set forth. This is illustrated by what happened at Naknek during the short fishing season there, as more fully set forth in my affidavit of August 3.

Plaintiff, therefore, is faced with the alternative of either paying the tax or of refusing to continue employing non-resident fishermen and refusing to purchase fish from non-resident fishermen upon whom the tax is imposed, and plaintiff must do one of those two things, either one of which will result in great loss and irreparable damage to the plaintiff, and plaintiff has no remedy at law, for if the tax is paid and Chapter 66 of the Sessions Laws of Alaska, 1949, is eventually held to be invalid in its application to non-resident fishermen, the plaintiff has no means of recovering the tax paid, for the plaintiff is not the taxpayer but only the collector under the provisions of the laws of Alaska.

/s/ S. G. TARRANT.

Subscribed and sworn to before me this 9th day of August, 1949.

[Seal]: /s/ JOHN C. DUNN,

Notary Public for Alaska.

My Commission Expires April 26, 1953.

Receipt of Copy Acknowledged.

[Endorsed]: Filed August 9, 1949.

[Title of District Court and Cause.]

AFFIDAVIT OF M. P. MULLANEY,
COMMISSIONER OF TAXATION

United States of America,
Territory of Alaska—ss.

I, M. P. Mullaney, being first duly sworn, depose and say:

(1) That I am the Commissioner of Taxation for the Territory of Alaska, and as such am charged by law with the duty of enforcing the tax laws of the Territory of Alaska, and in particular, with collecting and otherwise enforcing the license tax imposed on fishermen under Chapter 66, Session Laws of Alaska, 1949.

(2) That I have demanded payment of the \$50.00 non-resident license tax under the said Chapter 66 from various individual non-resident fishermen, some of whom were employed by plaintiff, but neither I nor, to my best knowledge and belief, any of my agents or employees have at any time demanded payment of said tax from plaintiff nor threatened plaintiff with criminal prosecution unless it makes payment of said tax.

(3) That there is no provision in Chapter 66 which requires that plaintiff, or any other cannery operator, pay the said license tax for the individual fishermen; and there is no provision in said statute which imposes criminal penalties on plaintiff, or any other cannery operator, for non-payment of the license tax imposed on the individual fishermen.

(4) That the Territory of Alaska is placed to additional burden and expense and to substantial inconvenience in the matter of collecting license taxes from non-resident fishermen, as compared with the collection of license taxes from resident fishermen.

(5) That since May, 1949, in which time two preliminary injunctions have been issued by this Court restraining the enforcement of two territorial tax statutes—one, in the case of Alaska Steamship Company vs. Mullaney, involving the Alaska Net Income Tax Act, Chapter 115, Session Laws of Alaska, 1949, and, two, in the case of P. E. Harris vs. M. P. Mullaney, involving Chapter II., Sessions Laws of Alaska, 1949, which increases the tax on fish traps and trap-caught fish, it has been my experience as Commissioner of Taxation that said injunctions have had the effect of causing many taxpayers other than those who have been parties to the above-mentioned suits, to refuse to pay the taxes due under the above-mentioned statutes. Because of this effect upon the public at large, it is my opinion that the use of injunctive process interfering with the enforcement of Chapter 66, Session Laws of Alaska, 1949, will cause many non-resident fishermen other than those employed by plaintiff to refuse to pay their license taxes, with resulting damage to the financial economy of the Territory of Alaska.

/s/ M. P. MULLANEY.

Subscribed and sworn to before me this 10th day of August, 1949.

[Seal]: FLORENCE B. OAKES,
Notary Public for Alaska.

By Commission Expires January 10, 1953.

Receipt of Copy Acknowledged.

[Endorsed]: Filed August 11, 1949.

[Title of District Court and Cause.]

MEMORANDUM OPINION

FAULKNER, BANFIELD & BOOCHEVER,

For Plaintiff.

J. GERALD WILLIAMS,

Attorney General of Alaska, and

JOHN DIMOND,

Assistant Attorney General of Alaska,

For Defendant.

Plaintiff seeks to restrain the defendant from enforcing the penal provision of Chapter 66, A.C.L.A. 1949, subjecting persons who employ, or buy fish from, any unlicensed fisherman to prosecution and punishment. The complaint alleges that the statute is void, that plaintiff has no plain, speedy or adequate remedy at law, and that unless defendant is restrained plaintiff will suffer irreparable injury and damage.

Plaintiff employs, and also buys salmon from, non-resident fishermen. The complaint does not allege that they have refused to pay the license tax but merely that plaintiff is threatened with arrest and prosecution. Reduced to a simple statement, therefore, the case is that, if the fishermen do not pay the tax and plaintiff's officers or agents are arrested or prosecuted for having them in its employ or buying fish from them, plaintiff will suffer irreparable injury. This is insufficient to warrant the interposition of a court of equity. *Watson vs. Buck*, 313 U. S. 387, 400-1. Even if the fishermen refuse to pay the tax and the plaintiff is confronted with the necessity of itself paying the tax or closing down, it would appear that whatever plaintiff chose to do would be occasioned by the wrongful conduct of the fishermen rather than the lawful act of the defendant in attempting to collect the tax and that, hence, any measure either of restraint or coercion against the defendant would be misdirected and bring tax collections to a standstill.

It may be that the circumstances of the case are such as to work an unusual hardship on plaintiff and that the defendant should consent to the issuance of an injunction pending a hearing on the merits but, since defendant has not seen fit to do so, the Court is powerless to grant plaintiff the relief prayed for.

/s/ GEORGE W. FOLTA,
District Judge.

[Endorsed]: Filed August 15, 1949.

him from collecting the license tax imposed on non-resident fishermen in Alaska under the provisions of Chapter 66, Session Laws of Alaska, 1949, and plaintiff appearing by its attorney, H. L. Faulkner, and defendant by his attorneys, J. Gerald Williams, Attorney General of Alaska, and John Dimond, Assistant Attorney General, and the Court having considered the pleadings and affidavits filed on behalf of the plaintiff and the defendant and having heard arguments of counsel, and having taken the matter under advisement, and having on August 15, 1949, filed a memorandum opinion herein.

It Is Now Hereby Ordered that the application for a preliminary injunction be, and it is, hereby denied, and

It Is Further Ordered that the temporary restraining order issued against the defendant on August 5, 1949, be, and it is, hereby dissolved and the bond filed on August 5, 1949, by the plaintiff in the sum of \$16,000 be, and it is hereby exonerated and the sureties thereon relieved of all further liability thereunder.

Done in open Court this 17th day of August, 1949.

/s/ GEORGE W. FOLTA,

Judge.

OK,

JOHN H. DIMOND,

Attorney for Defendant.

[Endorsed]: Filed August 17, 1949.

[Title of District Court and Cause.]

ANSWER

Comes now defendant above-named and in answer to the Complaint of plaintiff on file herein, admits, denies and alleges as follows:

1. Admits the allegations contained in Paragraph I of plaintiff's Complaint.

2. Admits the allegations contained in Paragraph II of plaintiff's Complaint with the exception of the averment that plaintiff employs approximately 400 non-resident fishermen, the truth as to which defendant is without knowledge or information sufficient to form a belief.

3. Admits the allegations contained in Paragraph III of plaintiff's Complaint.

4. Admits the allegations contained in Paragraph IV of plaintiff's Complaint.

5. Denies the allegations contained in Paragraph V of plaintiff's Complaint.

6. Denies the allegations contained in Paragraph VI of plaintiff's Complaint.

7. Referring to Paragraph VII of plaintiff's Complaint, admits the allegation that non-residents employed by plaintiff and from whom plaintiff purchases salmon during the season of 1949 are subject to the \$50.00 tax imposed by the provisions of Chapter 66; but with regard to the allegations that plaintiff employs 400 non-residents and that plaintiff purchases fish from both resident and non-resi-

dent fishermen, defendant is without knowledge or information sufficient to form a belief as to the truth of the same. Denies all the remaining material allegations in Paragraph VII.

8. Referring to Paragraph VIII of plaintiff's Complaint, admits the allegation that at Naknek, Alaska, during the month of July, 1949, the defendant sent one of his agents to plaintiff's property, but denies each and every other material allegation of said Paragraph VIII.

9. Referring to Paragraph X of plaintiff's Complaint, admits that the salmon canning season is different in different localities according to the time when the fish run, and admits that the Fish and Wildlife Service of the United States has exclusive jurisdiction to regulate the fisheries of Alaska; alleges that defendant is without knowledge or information sufficient to form a belief as to the truth of the allegations that the salmon canning season has been greatly curtailed during the present season and that in preparation for the salmon fishing season, plaintiff has been obliged to expend large sums of money in the purchase of equipment, cans, boxes, fishing gear, supplies of various kinds, and in the transportation of men and supplies to the Territory, and that plaintiff has paid numerous license fees required by the laws of the territory for engaging in salmon fishing and canning. Denies all the remaining material allegations contained in said Paragraph X.

10. Referring to Paragraph XI of plaintiff's

Complaint, admits that plaintiff is liable to fines and criminal prosecution and penalties for having in its employ fishermen as defined in Chapter 66 who do not pay the tax, and to similar fines and penalties for purchasing fish from non-resident fishermen who shall fail to pay the tax. Alleges that defendant is without knowledge or information sufficient to form a belief as to the truth of the allegation that under some of its union contracts with its non-resident fishermen employees and non-residents from whom it purchases fish, plaintiff is bound to pay all fishing fees lawfully levied by the Territory of Alaska, and under other contracts the non-residents are bound to pay the tax and in some instances the plaintiff is obligated to pay the tax on certain classes of non-residents as defined in Chapter 66, and on others the individuals engaged in fishing are obligated to pay the tax. Denies each and every other material allegation contained in said Paragraph XI.

11. Denies all the material allegations contained in Paragraph XII of plaintiff's Complaint.

Wherefore, defendant having fully answered the Complaint filed herein by plaintiff, prays that the plaintiff take naught by reason thereof and that the same be dismissed with prejudice.

J. GERALD WILLIAMS,

Attorney General of Alaska. Attorney for M. P. Mullaney, Commissioner of Taxation, Defendant.

JOHN H. DIMOND,
Assistant Attorney General. Attorney for M. P.
Mullaney, Commissioner of Taxation, Defend-
ant.

Receipt of Copy Acknowledged.

[Endorsed]: Filed August 24, 1949.

[Title of District Court and Cause.]

MOTION FOR JUDGMENT ON THE
PLEADINGS

Comes now defendant above-named and moves that judgment be entered for defendant herein on the pleadings and that plaintiff's and intervenors' complaints herein be dismissed. In support of such motion defendant alleges as follows:

1. In the case of *Anderson vs. Mullaney*, No. 6102-A, decided by this court on March 21, 1950, it was held that the classification of fishermen into residents and non-residents pursuant to the provisions of Ch. 66 S.L.A., 1949, was valid and did not violate the Constitution of the United States or the Organic Act of Alaska. In the principal case the validity of the same statute is in issue, and the legal issues raised and thoroughly considered and argued in the *Anderson* case are identical with the legal issues raised here; and since such issues were decided in favor of the validity of the statute, in the latter case, plaintiff's and intervenors' complaints are now insufficient in law and do not state a claim upon which relief can be granted.

2. Even if Ch. 66 S.L.A., 1949, were invalid and unconstitutional, a permanent injunction, being the relief demanded by plaintiff and intervenors, could not be granted here since courts of equity do not restrain actual or threatened criminal prosecutions for violations of statutes, and this court has already held, in its two memorandum opinions filed in this case on August 15, 1949, and August 16, 1949, that the alleged threatened criminal prosecutions in this case are insufficient to warrant the interposition of a court of equity. Therefore, plaintiff's and intervenors' complaints do not state claims upon which injunctive relief can be granted.

Dated at Juneau, Alaska, this 8th day of May, 1950.

J. GERALD WILLIAMS,
Attorney General of Alaska.

JOHN H. DIMOND,
Assistant Attorney General.
Attorneys for Defendant.

Receipt of Copy Acknowledged.

[Endorsed]: Filed May 8, 1949.

MINUTE ORDER ENTERED JUNE 30, 1950

[Title of Cause.]

The arguments in the above-listed cases was continued, after which the court denied the motion for consolidation of cases and took the motion for judg-

ment on the pleadings under advisement. Later the same day the court granted the motion for judgment on the ground that there is no issue of fact in view of the lack of power to grant injunctive relief.

[Title of District Court and Cause.]

SUMMARY JUDGMENT

This matter came on regularly to be heard on the 30th day of June, 1950, on defendant's motion for judgment on the pleadings. Plaintiff and intervenors above-named were represented by their counsel, H. L. Faulkner, of the firm of Faulkner, Banfield and Boochever, of Juneau, Alaska; defendant was represented by his counsel, John H. Dimond, Assistant Attorney General, Territory of Alaska. The court having read and considered the pleadings on file herein and having heard the arguments of respective counsel, and having considered matters outside of the pleadings which were presented in argument and not excluded by the court, and the court being fully advised in the premises and good cause appearing therefor; it is hereby

Ordered, Adjudged and Decreed that defendant's motion for judgment on the pleadings be treated as a motion for a summary judgment, and as so treated, the same be and it hereby is granted; that judgment for defendant be and hereby is entered herein; and that the complaint of plaintiff and the complaints in intervention of the intervenors above-named be and the same hereby are dismissed.

Plaintiff's and the above-named intervenors' exceptions are hereby allowed.

Each party shall pay its own costs.

Done in Open Court at Juneau, Alaska, this 7th day of July, 1950.

GEORGE W. FOLTA,

District Judge.

Entered Court Journal No. 19, Page 475.

Duly verified.

[Endorsed]: Filed June 7, 1949.

[Title of District Court and Cause.]

NOTICE OF APPEAL

Comes now the above-named plaintiff and notifies the defendant and all parties interested that it hereby appeals to the United States Court of Appeals for the Ninth Circuit from the Order denying plaintiff's application for preliminary injunction entered August 17, 1949, and from the Summary Judgment entered herein on July 7, 1950, and filed and entered on that day.

FAULKNER, BANFIELD &
BOOCHEVER,

Attorneys for Plaintiff and
Appellant.

Copy received this 14th day of July, 1950.

JOHN DIMOND,

Assistant Attorney General of Alaska, Attorney for
Defendant.

[Endorsed]: Filed June 14, 1949.

[Title of District Court and Cause.]

COST BOND ON APPEAL

Know All Men by These Presents, that we, Pacific American Fisheries, Inc., a corporation, the plaintiff above-named, as principal, and United States Fidelity and Guaranty Company, a corporation authorized to transact surety business in the Territory of Alaska, as surety, are held and firmly bound unto the above-named M. P. Mullaney, Commissioner of Taxation of the Territory of Alaska and his successors in office, for the benefit and indemnity of whom it may concern, in the penal sum of Two Hundred and Fifty (\$250.00) Dollars, to be paid to the said M. P. Mullaney, the defendant above-named, or his successors in office, and for the benefit and indemnity of whom it may concern, for which payment well and truly to be made we bind ourselves and our successors and assigns jointly and severally firmly by these presents.

Sealed with our seals and dated this 14th day of July, 1950.

Whereas, upon the 7th day of July, 1950, in a suit pending in the District Court for the Territory of Alaska, First Judicial Division, between the plaintiff and the defendant above-named, a Summary Judgment was rendered in favor of defendant and against plaintiff, dismissing plaintiff's complaint and certain complaints in intervention; and the plaintiff has filed notice of appeal to the United States Court of Appeals for the Ninth Circuit,

Now Therefore, the condition of this obligation is such that if the plaintiff appellant above-named and the principal hereon shall prosecute its appeal to effect and answer all costs if the appeal be dismissed, or it be affirmed by Judgment of the appellate court, and all such costs as the appellate court may award, if the judgment be modified, then this obligation to be void, otherwise to remain in full force and effect.

PACIFIC AMERICAN FISHERIES, INC.,
A Corporation.

By /s/ H. L. FAULKNER,

Its Attorney in Fact,
Principal.

UNITED STATES FIDELITY & GUARANTY
COMPANY, a Corporation,

By /s/ R. E. ROBERTSON,

Its Attorney in Fact,
Surety.

OK as to form and surety. Copy received this 14th day of July, 1950.

/s/ JOHN DIMOND,

Assistant Attorney General of Alaska, Attorney for Defendant.

[Endorsed]: Filed June 14, 1949.

[Title of District Court and Cause.]

DESIGNATION OF PORTIONS OF RECORD
AND PROCEEDINGS TO BE INCLUDED
IN THE RECORD ON APPEAL

To the Clerk of the Above-entitled Court:

You will please prepare transcript of record in the above-entitled cause to be filed in the office of the Clerk of the U. S. Court of Appeals for the Ninth Circuit sitting at San Francisco, California, upon plaintiff's appeal, and include therein the following-described papers and records, to wit:

1. Plaintiff's complaint for injunctive and other relief, with affidavit of S. G. Tarrant attached thereto dated August 3, 1949.
2. Order to Show Cause and Temporary Restraining Order dated August 5, 1949.
3. Bond on temporary restraining order.
4. Supplemental affidavit of S. G. Tarrant dated August 9, 1949.
5. Affidavit of M. P. Mullaney, defendant, dated August 10, 1949.

6. Memorandum Opinion of Court filed August 15, 1949.

7. Memorandum Opinion of Court filed August 16, 1949.

8. Order Denying Application for Preliminary Injunction filed August 17, 1949.

9. Answer of defendant to plaintiff's complaint filed on August 24, 1949.

10. Motion for Judgment on pleadings filed May 8, 1950, and Minute Order granting Summary Judgment on June 30, 1950, appearing on page 470-471 in Journal No. 19.

11. Summary Judgment dated July 7, 1950.

12. Notice of Appeal.

13. Cost Bond on Appeal.

14. This designation of portions of record to be included.

15. Statement of Points relied on by appellant.

16. Stipulation re: printing of record.

Dated at Juneau, Alaska, July 14th, 1950.

FAULKNER, BANFIELD &
BOOCHEVER,

By /s/ H. L. FAULKNER,

Attorneys for Plaintiff.

Receipt of Copy Acknowledged.

[Endorsed]: Filed July 14, 1950.

[Title of District Court and Cause.]

STATEMENT OF POINTS RELIED ON
BY APPELLANT

The appellant intends to rely upon the following points on appeal:

I.

The Court erred in making and entering the Order of August 17, 1949, denying the application for Preliminary Injunction and dissolving the Restraining Order issued on August 5, 1949.

II.

The Court erred in making and entering the Summary Judgment which is based on the Minute Order of June 30, 1950, which states that "There is no issue of fact in view of the lack of power to grant injunctive relief."

III.

The Court erred in granting the motion for Summary Judgment against the plaintiff-appellant without giving it an opportunity to litigate the questions of fact and of law set forth by the pleadings. Plaintiff had prayed for injunctive relief and alleged irreparable injury and that it had no plain, speedy or adequate remedy at law to prevent that injury; and plaintiff had no opportunity to present its evidence on that point.

IV.

The Court erred in granting the Summary Judgment of July 7, 1950, without giving plaintiff an opportunity to present to the Court the issues raised

by the allegation that Chapter 66, Session Laws of Alaska, 1949, was passed in violation of Section 8 of the Organic Act of Alaska, 48 U.S.C.A. Section 76; 37 Stat. 514.

V.

The Court erred in basing its Summary Judgment on the Motion for Judgment on the pleadings which was on the theory that the only question presented by plaintiff in this cause was that of the right and power of the Legislature to discriminate in the matter of license fees between resident and non-resident fishermen, and that the only issue involved was the validity of the license tax; whereas, plaintiff should have had an opportunity to present to the Court the issue of whether, even if the license tax were valid as imposed on non-resident fishermen, its application to plaintiff, imposing on it severe penalties and submitting it to irreparable injury for failure to act as tax collector, was invalid.

Dated at Juneau, Alaska, July 14, 1950.

FAULKNER, BANFIELD &
BOOCHEVER,

By /s/ H. L. FAULKNER,

Attorneys for Plaintiff.

Receipt of Copy Acknowledged.

[Endorsed]: Filed June 14, 1949.

[Title of District Court and Cause.]

STIPULATION RE PRINTING OF RECORD

It Is Hereby Stipulated and Agreed by and between Faulkner, Banfield & Boochever, attorneys for above-named plaintiff-appellant, and John Dimond, Assistant Attorney General of Alaska, attorney for defendant-appellee, that the portions of the record to be printed in the above-entitled cause shall be those portions only which are set forth in plaintiff-appellant's Designation of Portions of Record and Proceedings to be Included in the Record on Appeal, and that all other portions of the record in this cause may be omitted and that the title of the court and cause in full shall be omitted from all papers, except on the first page of the record, and that there shall be inserted in place of the title in all papers used as a part of the record the words "Title of Court and Cause" and also that all endorsements on all papers used as a part of the record may be omitted, except the Clerk's filing marks and admissions of service.

Dated at Juneau, Alaska, July 14th, 1950.

FAULKNER, BANFIELD &
BOOCHEVER,

Attorneys for Plaintiff.

JOHN DIMOND,

Assistant Attorney General for Alaska, Attorney
for Defendant.

[Endorsed]: Filed June 14, 1949.

CLERK'S CERTIFICATE

United States of America,
Territory of Alaska—ss.

I, J. W. Leivers, Clerk of the U. S. District Court
for the Territory of Alaska, First Judicial Division,

Do Hereby Certify that the foregoing and hereto
attached 36 pages of typewritten matter numbered
from 1 to 36 both inclusive, constitute a full, true
and complete copy and the whole thereof of the
record prepared in accordance with the Designation
of Portions of the Record to be Included in the Rec-
ord on Appeal of the plaintiff-appellant on file
herein and made a part hereof in cause No. 6137-A,
wherein Pacific American Fisheries, Inc., a corpora-
tion, is plaintiff-appellant, and M. P. Mullaney,
Commissioner of Taxation, Territory of Alaska, is
defendant-appellee, as the same appears of record
and on file in my office,

That the said record is prepared by virtue of an
appeal taken by plaintiff-appellant to the U. S.
Court of Appeals for the Ninth Circuit,

And I Further Certify that this transcript was
prepared by me at my office and that the cost of
examination, preparation and certification, amount-
ing to \$12.55, has been paid to me by counsel for
plaintiff-appellant.

In Witness Whereof I have hereunto set my
hand and the seal of the U. S. District Court for

the Territory of Alaska, First Judicial Division,
this 19th day of July, 1950.

J. W. LEIVERS,

Clerk of the District Court,

[Seal] By. /s/ LOIS P. QUILICO,

Deputy.

[Endorsed]: No. 12623, United States Court of Appeals for the Ninth Circuit. Pacific American Fisheries, Inc., Appellant, vs. M. P. Mullaney, Commissioner of Taxation, Territory of Alaska, Appellee. Transcript of Record. Appeal from the District Court for the Territory of Alaska, Division Number One.

Filed July 21, 1950.

/s/ PAUL P. O'BRIEN,

Clerk of the United States Court of Appeals for
the Ninth Circuit.

In the United States Court of Appeals for the
Ninth Circuit

No. 12623

PACIFIC AMERICAN FISHERIES, INC.,
a Corporation,

Appellant,

vs.

M. P. MULLANEY, Commissioner of Taxation,
Territory of Alaska,

Appellee.

STATEMENT OF POINTS RELIED
ON BY APPELLANT

Comes now the appellant above-named and states that the points to be relied on in the United States Court of Appeals upon this appeal are as follows:

I.

That the District Court was in error in making and entering the Summary Judgment of July 7, 1950, on the ground that Summary Judgment was entered contrary to law and contrary to Rule No. 56 of the Rules of Civil Procedure, and that it was made and entered without any Findings, and the record contains no reason or basis for its entry. (See Rule 41 (b).)

II.

That the Court erred in granting the Summary Judgment and denying injunctive relief to the appellant without consideration of any evidence that

appellant had no adequate remedy at law and would suffer irreparable injury unless an injunction was granted.

III.

The Court erred in granting the Summary Judgment without giving appellant an opportunity to litigate the questions of law and fact set forth in the pleadings.

IV.

The Summary Judgment should not have been granted thereby passing upon the question raised in the pleadings as to whether Chapter 66, Session Laws of Alaska, 1949, was passed in violation of Section 8 of the Organic Act of Alaska. Upon this question appellant below was entitled to be heard and to present authorities and argument, but had no opportunity to do so except to state that the Summary Judgment should not be granted until appellant had an opportunity to present that question.

V.

The dismissal of appellant's complaint in the Court below by means of the Summary Judgment had the effect of denying the relief sought in the complaint and to which relief appellant was entitled.

VI.

The only reference in the whole record with the Court below to the basis of the Summary Judgment is that contained in an extract from the Journal containing the statement of the Judge that the motion for Judgment was granted "on the ground that there is no issue of fact in view of the lack of

power to grant injunctive relief," but the facts are set forth in the complaint and if proved, would entitle the appellant to injunctive relief.

VII.

Since no Findings were made and there is nothing in the record to show the basis for the Court's entry of the Summary Judgment and if it is assumed that the basis is contained in appellee's motion for Judgment on the pleadings, this was wholly insufficient to support the Summary Judgment. That motion refers to another case tried in the same Court on different facts from those raised in this case, and nothing was involved in that case regarding the validity of Section 5, Chapter 66, Session Laws of Alaska, 1949, nor the applicability of Section 8 of the Organic Act of Alaska to Chapter 66 of the Session Laws of Alaska, 1949. The Court made no reference to the Anderson case in its Summary Judgment, it made no Findings to support the Summary Judgment, and appellant was not a party to the Anderson case and has had no opportunity to examine the record in that case, except the pleadings, which show that the relief sought was different from the relief sought in this case, for in the Anderson case Section 5, Chapter 66, Session Laws of Alaska, was not in question. Furthermore, the motion assumes in Paragraph 2 that the only relief sought by appellant in this case is the relief from threatened criminal prosecutions, but the pleadings show that the threat of criminal prosecutions was not the only matter involved, but that the equitable relief sought was a prevention of criminal

prosecutions under an alleged invalid statute, and that this relief was necessary not only to prevent criminal prosecutions, but to protect the property rights of appellant.

VIII.

The Summary Judgment seems based on the erroneous assumption that the only matter involved in the action is the right of the Legislature to discriminate between resident and non-resident fishermen in the matter of license taxes; whereas there was also involved the question of whether or not the Legislature had the power under the circumstances to impose upon the appellant the duty of collecting taxes for the Territory of Alaska, or suffering criminal prosecutions and irreparable injury for failure to do so, regardless of the validity or invalidity of the license tax itself.

Appellant prays that the whole of the record as filed and certified, including this Statement of Points, be printed.

Dated at Juneau, Alaska, July 19, 1950.

FAULKNER, BANFIELD &
BOOCHEVER,

/s/ H. L. FAULKNER,
Attorneys for Appellant.

Copy received July 20, 1950.

/s/ JOHN H. DIMOND,
Assistant Attorney General,
Attorney for Appellee.

[Endorsed]: Filed July 24, 1950.

In The United States
COURT OF APPEALS
For the Ninth Circuit

PACIFIC AMERICAN FISHERIES, INC.,
Appellant,

v.

M. P. MULLANEY, Commissioner of Taxation,
Territory of Alaska,
Appellee.

**Upon Appeal from the District Court for the Territory
of Alaska, First Division**

BRIEF FOR THE APPELLANT

FAULKNER, BANFIELD & BOOCHEVER
H. L. FAULKNER,
Juneau, Alaska.

For Appellant. SEP 14 1950

PAUL P. O'BRIEN,
CLERK

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No. 12623

In The United States

COURT OF APPEALS

For the Ninth Circuit

PACIFIC AMERICAN FISHERIES, INC.,

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v.

M. P. MULLANEY, Commissioner of Taxation,
Territory of Alaska,

Appellee.

**Upon Appeal from the District Court for the Territory
of Alaska, First Division**

BRIEF FOR THE APPELLANT

OPINION BELOW

The only opinion in this case is found in the memoranda opinions of August 15 and August 16, 1949 (R. 28-30) and the Minute Order in the Journal of June 30 1950 (R. 37).

JURISDICTION

This is a suit to enjoin the appellee from enforcing against the appellant the provisions of Chapter 66,

Session Laws of Alaska, 1949, which Chapter is an Act to provide for the licensing of fishermen; and to have declared invalid the provisions of the Act making it a criminal offense for appellant to have in its employ, or to purchase fish from, non-resident fishermen who have not paid the license tax or fee imposed on them by Chapter 66; and to have the Act declared invalid in its entirety. Preliminary Injunction was sought and a bond filed to secure the payment of the tax. The Preliminary Injunction was denied on August 17, 1949 (R. 31) and, on motion of the appellee, Summary Judgment was entered against appellant on July 7, 1950, dismissing appellant's complaint (R. 38). Notice of appeal was filed July 14, 1950 (R. 39) and the appeal docketed in this Court. The jurisdiction of the District Court rests on the Act of June 6, 1900, 48 USCA, Section 101, and that of this Court on Section 1291 of the New Federal Judicial Code.

QUESTIONS PRESENTED

1. Whether the District Court had the power to enter Summary Judgment against appellant, dismissing appellant's complaint.
2. Whether the provisions of Chapter 66, Session Laws of Alaska, 1949, are valid as they affect appellant.
3. Whether the subject of the Act is expressed in its title, as provided by Section 8 of the Organic Act of Alaska.
4. Whether the Legislature of Alaska had the power to enact Chapter 66, Session Laws of Alaska,

1949, by imposing a license fee on non-resident fishermen ten times greater than that imposed on resident fishermen.

SPECIFICATIONS OF ERROR

The specifications of error and the points relied upon by appellant may be summarized as follows:

1. The court erred in denying the application for the Preliminary Injunction and in dissolving the Restraining Order which was issued on August 5, 1949.

2. The court erred in making and entering Summary Judgment of July 7, 1950, without giving the appellant an opportunity to present evidence on the questions of fact involved and to present authorities and argument on the matters of law arising on the issue of facts.

3. The court erred in granting the Summary Judgment without any hearing, or without making any decision on the question raised that Chapter 66, Session Laws of Alaska, 1949, was passed in violation of Section 8 of the Organic Act of Alaska.

4. The court erred in dismissing appellant's complaint without any trial or hearing on the questions of law and fact arising on the pleadings, with reference to the validity of Section 5 of Chapter 66, Session Laws of Alaska, 1949, which makes the appellant a tax collector with criminal penalties and probable irreparable loss and damage for failure to comply, and whether the tax, even if a valid tax, on non-resident fishermen,

was also valid in its application to the appellant, who was not the taxpayer.

5. The court erred in dismissing the complaint and denying the appellant the Judgment for Permanent Injunction as prayed for in the complaint.

STATEMENT

The Alaska Legislature in its 1949 session passed Chapter 66 of the Session Laws of Alaska, 1949, (see Appendix A). This Act imposes a license tax of \$50.00 on all non-resident fishermen and a tax of \$5.00 on resident fishermen. The Act in Section 1 defines fishermen to include trap watchmen and crews of tenders, or other floating equipment used in handling fish. Section 5 of the Act makes it a criminal offense, punishable by fines and imprisonment, for any person, association or corporation to have in his, their or its employ any fisherman who is not duly licensed under the Act, or to purchase fish from any fisherman who is not so licensed. Appellant instituted this suit on August 5, 1949, to enjoin appellee from enforcing the provisions of the Act against the appellant and its non-resident employees. Appellant asked that the Act be declared to be invalid (R. 2-15). A bond approved by the court was filed by appellant in the sum of \$16,000.00 to protect the appellee in case the appellant did not prevail. This bond was conditioned to cover the entire license fee for the year 1949 on all non-resident fishermen in appellant's employ and also all those from whom appellant purchased fish. It was a continuing bond to protect appellee until final disposition of the

case (R. 19-20). Temporary Restraining Order and Order to Show Cause were issued on August 5, 1949, and the Order to Show Cause was returnable August 12, 1949, (R. 16-19). On August 17, 1949, the court denied the application for Preliminary Injunction and dissolved the Temporary Restraining Order (R. 31-2). No Findings were made. Thereafter appellee filed Answer (R. 33-35). On May 8, 1950, the appellee filed Motion for Judgment on the pleadings (R. 36-37). The court treated that on the argument as a motion for Summary Judgment and on June 30, 1950, granted the motion by Minute Order (R. 37-38) and this was followed by written Order of July 7 granting Summary Judgment and dismissing appellant's complaint (R. 38-9). No Findings were made in support of the Summary Judgment or the Order of Dismissal.

There are a number of complaints in intervention filed, but some were later withdrawn, and since those which remain on file asked the same relief based on allegations similar to those in appellant's complaint, they were not made a part of the record on appeal.

Appellant alleged in its complaint, which was supported by the affidavit and supplemental affidavit of S. G. Tarrant (R. 11-15; 22-25), that it is a Delaware corporation engaged in salmon fishing and canning in seven plants at various points in the First and Third Judicial Divisions of Alaska and that it employs both resident and non-resident fishermen and purchases fish from both resident and non-resident fishermen; that all of its operations are carried on under union contracts and that under some of these contracts the

company pays all lawful taxes levied on fishermen, and that under other contracts the employees are liable for the payment of the tax; that the appellant purchases fish from the independent non-resident fishermen not employed by it and who are liable for the payment of their own taxes; that in preparation for the fishing and canning season of 1949 the appellant had been obliged to expend large sums of money in the purchase of equipment, cans, boxes, fishing gear, supplies of various kinds, and in the transportation of men and supplies to the Territory, and it had paid numerous license fees required by the laws of the Territory for engaging in salmon fishing and canning (R. 2-15). The supplemental affidavit of Mr. Tarrant states that the sum expended in these preparations was approximately \$1,300,000.00 (R. 24); that the fishing seasons for salmon are regulated under the law by the U. S. Fish and Wildlife Service, and the 1949 regulation allowed very short periods for salmon fishing in the different districts where appellant had canneries, ranging from eleven days at Nushagak to forty nine days in the Alaska Peninsula area; that the appellee was demanding payment of the entire tax from appellant covering all non-resident fishermen in its employ and also all those from whom it purchased fish, and that at Naknek in July, 1949, the appellee and his deputies had threatened appellant with criminal prosecution and multiple arrests of its employees and had forced the company to pay at that plant the sum of \$4,000.00 on its non-resident employees and on non-resident independent fishermen from whom it was purchasing fish

(R. 6). Other threats of criminal prosecutions and disruption of its cannery operations were made by appellee and his deputies. Appellant alleged that it would either be obliged to (1) submit to criminal prosecution for employing non-resident fishermen who had not paid the tax and for purchasing fish from non-residents who had not paid the tax; or (2) pay the tax, which it did not owe; or (3) suffer loss by discharging a large number of employees and by refusal to purchase fish from non-residents who had not paid the tax, thereby disrupting its operations and diminishing its supply of fish in a short season; and that any one of these courses would subject appellant to irreparable injury, and that there was no adequate remedy at law. It was alleged in the complaint that Chapter 66 was passed in violation of Sections 8 and 9 of the Organic Act of Alaska, ACLA 1949, page 55; 37 Stat. page 512 and of the Fifth and Fourteenth Amendments to the Constitution of the United States and of Section 41, Title 8, USCA, and of Section 3 of the Alaska Organic Act, ACLA, page 50.

The appellee filed an affidavit on August 10, 1949 (R. 26-28) in which he denied he had demanded payment of any tax from appellant or threatened it with criminal prosecution, and to the best of his knowledge and belief his deputies had not done so. He then stated that the expense and inconvenience were greater in collecting taxes from non-residents than from residents, but he did not state in what particular or how much greater.

The Answer was filed and with a few admissions of

unimportant allegations, it denies generally the allegations of the complaint (R. 33-5), including the allegation regarding appellee's demand for the payment of the tax by appellant, the threat of criminal prosecution and the payment of \$4,000 at Naknek, although it admits appellee had sent a deputy to Naknek in July, 1949 (R. 34). No affirmative defense is pleaded and no reason given for the imposition of a larger tax on non-residents than on residents.

SUMMARY OF ARGUMENT

I.

The chief question which arises on this appeal is whether the lower court erred in entering Summary Judgment and dismissing appellant's complaint. The points presented under this heading are:

A. The court made no Findings but in the Judgment simply stated that the pleadings had been considered and "matters outside of the pleadings," and there is nothing in the record anywhere to indicate what those matters were.

B. If the "matters outside of the pleadings" which were considered consisted of the record in the case of *Anderson v. Mullaney* mentioned in Motion for Judgment on the Pleadings and nowhere else, then the court decided issues in this case not raised in the *Anderson* case.

C. No opportunity was afforded appellant to argue or to present authorities on the question of whether Chapter 66 was passed in violation of Section 8 of the Organic Act of Alaska.

D. No opportunity was afforded appellant to argue or to present authorities on the issues of the invalidity of Section 5 of Chapter 66, which in effect makes the appellant a tax collector with severe criminal penalties for failure to collect, or in the alternative, a disruption of its business and consequent irreparable financial loss.

E. No opportunity was given appellant to show the absence of any provision in the laws of Alaska for recovery of any tax paid under protest.

F. Even if the court had concluded that the license tax was valid as applied to non-resident fishermen under the pleadings and proof in some other case, the record in this case fails to show any similarity between the issues of fact or law in this case and that other case.

G. The complaint, if supported by proof, showed appellant to be entitled to the relief prayed for, and appellant was entitled to present evidence and authorities in support of allegations and in justification of its prayer for relief.

II.

Since a Summary Judgment and dismissal of the appellant's complaint under the circumstances of this case operates as a judgment on the merits under Rule 41(b), then this court may consider the merits on appeal.

ARGUMENT

Appellant takes the position that the summary judgment should not have been entered in this case as the record stood at the time of its entry and that it should

be reversed; and that on the merits, the appellant was entitled to the relief claimed in the complaint because of the invalidity of Chapter 66, Session Laws of Alaska, 1949.

I.

THE SUMMARY JUDGMENT WAS ISSUED CONTRARY TO LAW AND THE FEDERAL RULES OF CIVIL PROCEDURE.

The appellee made a motion for judgment on the pleadings. At the time of the argument of this motion, the Court treated the motion as a motion for summary judgment under Rule 56(c) of the Rules. No affidavits were filed in support of the motion and the motion simply stated that the Court had decided the issues involved in this case in the case of *Anderson v. Mullaney* and in that case had upheld the validity of Chapter 66, Session Laws of Alaska, 1949 (R. 36-37) and that the Court in this case, by denying the preliminary injunction, had already decided that injunctive relief could not be granted the appellant.

No part of the record of *Anderson v. Mullaney* was before the Court at the time of the argument of the motion and the appellant was not notified in any way of the contents of the record in the case of *Anderson v. Mullaney*. Under the rules and the decisions, summary judgment should not have been entered in this case even if the record in the Anderson case had been set up as a part of the record in this case. The Court, in passing on the motion for judgment on the pleadings, which he treated as a motion for summary judgment, made no findings as required by Rule 41(b). The Court dismissed appellant's complaint in its sum-

mary judgment (R. 38-9). Rule 41(b) provides, among other things:

“Unless the Court in its order of dismissal otherwise specifies, a dismissal under this subdivision and any dismissal not provided for in this rule other than a dismissal for lack of jurisdiction or for improper venue, operates as an adjudication upon the merits.”

In such cases, Rule 52 of the Rules of Civil Procedure provides for findings as follows:

“(a) In all actions tried upon the facts without a jury or with an advisory jury, the Court shall find the facts especially and state separately its conclusions of law thereon and direct the entry of the appropriate judgment; and in granting or refusing interlocutory injunctions, the Court shall similarly set forth the findings of fact and conclusions of law which constitute the grounds of the action.”

Appellant contends that since the dismissal of appellant's complaint under the circumstances constituted a judgment on the merits, findings should have been made, for Rule 41(b), *supra*, provides that:

“If the Court renders judgment on the merits against the plaintiff, the Court shall make findings as provided in Rule 52 (a).”

It is clear then, that the summary judgment was entered in violation of the Rules. We submit that findings should have been entered stating fully the basis of the Court's action in dismissing appellant's complaint. If the Court held that because of the outcome of the case of *Anderson v. Mullaney* this was a case for the application of the doctrine of *stare decisis*, it should have been stated in the findings and the Court should have

stated fully wherein the facts and the issues of law were similar to those decided in the Anderson case.

At the time of the filing of the appeal in this case, we had had no opportunity to see the record in the Anderson case, and so far as the record in this case shows, the Court might have based its summary judgment on the application of the doctrine of stare decisis based on the Anderson case, or it might not have. The only reference to the Anderson case is that contained in Appellee's motion.

However, the Anderson case is on appeal to this Court, and we think the Court may take judicial notice of the record in that case if this Court could, from the record in this case, find that the summary judgment is based on the Anderson case. In the absence of findings, we do not think the Court can so conclude.

However, we think a reference to the pleadings in the case of *Anderson v. Mullaney*, which is now No. 12586 in this Court, will show that the issues raised in the two cases are not identical.

If the Court considers that its inquiry should go that far, we respectfully submit that it may take judicial notice of the record in the Anderson case under authority of *Wiley v. United States*, 144 F.2d 859; *National Fire Insurance Co. v. Thompson*, 281 U.S. 331; and 31 C.J.S. 619-20, Sec. 50.

We submit the following authorities on the matter of the entry of summary judgment:

“The summary judgment is a comparatively new feature in Federal practice. It arises out of accumulated distaste for the practice of merely

stalling off a judgment by interposing a false plea having no foundation in fact, or attempting legal blackmail by bringing an unfounded suit merely to force some kind of settlement." *Cyclopedia of Federal Procedure*, 2nd Edition, Section 3502.

None of these elements are present in this case.

"The burden of establishing requisite foundations for a summary judgment under Federal Rules rests upon the moving party, and doubts in respect thereto are to be resolved negatively." *Andrews v. Heinzman*, 9 F.R.D. 7 (D.C. Neb.).

Said the Circuit Court of Appeals for the Second Circuit in *Doehler v. Metal Furniture Co. of U.S.*, 149 F.2d 130:

"We take this occasion to suggest that trial judges should exercise great care in granting motions for summary judgment. A litigant has a right to a trial when there is the slightest doubt as to the facts, and the denial of that right is reviewable."

In the case of *Barrett v. National M & S Casting Co.*, 68 Fed. Supp. 410, the District Court of Pennsylvania said:

"The complaint must be viewed in a light most favorable to the plaintiff, and truth of facts well pleaded including facts as alleged on information or belief, are admitted. (Federal Rules 12-B). The complaint should not be dismissed unless it appears certain that plaintiff is not entitled to relief under any state of facts which could be proved in support thereof. This is true no matter how likely it may seem that the pleader will be unable to prove his case. He is entitled upon averring a claim to an opportunity to try and prove it."

In the case of *Clair v. Sears, Roebuck & Co.*, 34 Fed. Supp. 559, we find the following language:

"A summary judgment upon motions of this

character should never be entered save in those cases where the movant is entitled to such beyond all doubt. The facts conceded should show with such clarity the right to a judgment as to leave no room for controversy or doubt. They must show affirmatively that plaintiff would not be entitled to recover under any and all circumstances.”

In dealing with the question of summary judgment, we find the following statement by the United States Supreme Court in the case of *Kennedy v. Silas Mason Co.*, 334 U.S. 249:

“Summary proceedings, however salutary, where issues are clear-cut and simple, present a treacherous record for deciding issues of far-flung import, on which this Court should draw inferences with caution, from conflicted courses of legislation, contracting and practice. We consider it a part of good judicial administration to withhold decision of the ultimate questions involved in this case until this or another record shall present a more solid basis of findings based on litigation or a comprehensive statement of agreed facts. While we might be able on the present record to reach a conclusion that would decide this case, it might well be found later to be lacking in the thoroughness that should precede judgment of this importance and which it is the purpose of judicial process to provide.” (Page 257).

See also *Toevelman v. M-K Pipeline Co.*, 130 F.2d 1016; *Ramsouer v. Midland Valley R. Co.*, 135 F.2d 101; *Luria Steel and Trading Co. v. Ford*, 9 F.R.D. 479; *Michel v. Meier* 8 F.R.D. 464.

Application of the doctrine of stare decisis is discussed in the case of *State v. J. M. Huber Corp.*, 193 S.W.2d 882;

“The applicability of the doctrine of stare decisis is stated in 14 Am. Jur., Section 79, Page 293, thus: ‘To make an opinion a decision, there must have been an application of the judicial mind to the precise question necessary to be determined * * *’, and in the footnote to the text, it is stated on authority of *U. S. v. Miller*, 208 U.S. 32 and other cases cited, that: ‘A decision is not authority upon a question not raised and considered in the case although it may be involved in the facts.’, to the same effect is the rule announced in 21 C.J.S., Courts, Sec. 195, Page 334, as follows: ‘Furthermore, the former holding or decision is binding only to the extent of the precise question passed upon and is confined to the application of a legal principle, to the same or substantially same state of facts and is not binding as to facts or issues not adjudicated in the former decision or ruling.’”

We do not think it is necessary in this case to inquire beyond the fact that the summary judgment was entered without findings and without any reasons being given for its entry save the reason, if it be a reason, in the journal entry, which states that the motion for judgment is granted “on the ground that there is no issue of fact in view of the lack of power to grant injunctive relief.” (R. 37-8). The Court does not say why the Court has no power to grant injunctive relief, but suppose the Court had made findings? What would they have contained if the summary judgment was based on the doctrine of stare decisis in its application to the Anderson case? Those findings based on the record and on the pleadings in this case and the issues raised in the Anderson case would necessarily show that those issues were not the same. In the Anderson case, the pleadings show that the only thing involved was the question of the validity of the non-

resident fishermen's license tax as it applied to non-resident fishermen. That was the only issue. In this case, that issue is raised, but it is not the only issue for we raise additional issues, namely, that the statute is invalid as applied to appellant, who is not a non-resident fisherman and not the taxpayer. The complaint raises the issue that the appellant cannot be punished criminally for having in its employ non-resident fishermen who have not paid the tax or for purchasing fish from nonresident fishermen who have not paid the tax, and it is alleged that the plaintiff itself must either pay a tax which it did not owe or submit to criminal prosecution, or discharge its non-resident fishermen employees who have not paid the tax and refuse to purchase fish from nonresident fishermen who have not paid the tax, and that either of these alternatives would result in irreparable loss and damage to the appellant. That issue was not raised in the Anderson case.

Then, in this case, the appellant alleges that Chapter 66 was passed in violation of the provisions of Section 8 of the Alaska Organic Act. That issue was not raised in the Anderson case and appellant has had no opportunity to present evidence on these points and authorities in support of its contention. It was prevented from doing so by the entry of the summary judgment.

The District Court for the First Judicial Division of Alaska, on July 29, 1949, decided the case of *Martinsen, et al v. Mullaney*, 85 Fed. Supp. 76. In the order to show cause issued herein (R. 16-19), the Court referred to the Martinsen decision stating:

“The Court having already held in the case of *Martinsen et al v. Mullaney* that under the circumstances and facts alleged and set forth in the complaint in the above entitled cause, and in the affidavit filed on behalf of the plaintiff, if true and not successfully controverted, the tax of \$50.00 on nonresident fishermen engaged in handling halibut, as against a tax of \$5.00 on residents similarly engaged, is invalid.”

Now, at the time of the entry of the summary judgment, the pleadings in this case consisted of that complaint referred to and the answer of the appellee, and an affidavit which appellee had filed on August 10, 1949 (R. 26-8). The answer of the appellee consists simply of admissions and denials and it is significant that the appellee stated in his answer that he did not know how many nonresident fishermen were in the employ of appellant. He raises no affirmative defense.

In his affidavit which was filed in opposition to the application for preliminary injunction, he simply states “the Territory of Alaska is placed to additional burdens and expense and substantial inconvenience in the matter of collecting license taxes from nonresident fishermen, as compared with the collection of license taxes from resident fishermen.” That is all. Nowhere does the appellee allege anything to show what constitutes the additional burden or the substantial inconvenience. He makes no attempt to bring himself within the rule laid down by the Supreme Court in the case of *Toomer v. Witsell*, 334 U.S. 385, referred to hereinafter. Therefore, the pleadings in this case would seem to raise the same issues as those decided in the case of *Martinsen v. Mullaney*, supra, in which

the Court held Chapter 66 to be invalid. It is true that appellant alleged in the complaint that there was no additional expense and no additional regulations required and no additional enforcement burden imposed upon the Territory in the collection of taxes on non-residents and that the appellee denied these allegations, but in order to be entitled to a judgment on the question of the validity of the greater tax on non-residents than on residents, in favor of the appellee, it would have been necessary for him to have set forth the extent of that additional expense and burden and its nature in order to meet the test of the Supreme Court in *Toomer v. Witsell*.

II.

ON THE PLEADINGS WHICH CONSISTED OF APPELLANT'S COMPLAINT AND APPELLEE'S ANSWER, IF APPELLANT SHOULD PROVE ITS ALLEGATIONS, IT WOULD HAVE BEEN ENTITLED TO A JUDGMENT.

A. The Act is Invalid in its Entirety.

The facts pleaded in the complaint are set forth hereinabove under the heading STATEMENT. These allegations were answered by appellee by general admissions and denials with no grounds set up affirmatively or otherwise as to the reason for the Legislature's discrimination in the amount of the tax between residents and non-residents. The latest decision of the Supreme Court of the United States on this point is found in *Toomer v. Witsell*, 334 U.S. 385. That was a case involving the validity of a statute of South Carolina which, among other things, imposed a higher license fee upon shrimp fisheremn who were non-resi-

dents than on those who were residents of the state. In that case the Supreme Court said at pages 398-399:

“The state is not without the power, for example, to restrict the type of equipment used in its fisheries, to graduate license fees according to the size of boats, or even to charge non-residents a differential which would merely compensate the state for any added enforcement burden they may impose or for any conservation expenditures from taxes which only residents pay. We would be closing our eyes to reality, we believe, if we concluded that there was a reasonable relationship between the danger represented by non-citizens as a class and the severe discriminations practiced upon them.”

The Territory has no power to regulate fisheries (Section 3, Organic Act of Alaska; 48 USCA Section 24,) so that the Territory has no power over the conservation of the fisheries, and furthermore, if it did, we know of no taxes imposed on residents which are not also applicable to non-residents under the same circumstances. The only justification for discriminating between residents and non-residents in the matter of license fees must necessarily rest, in order to be valid, on a showing that the difference in the amount imposed is, in the language of the Supreme Court, sufficient to “merely compensate for any added enforcement burden.” It may not be difficult to conceive of additional enforcement burdens, but these might be infinitesimal and we think it would be necessary in order to uphold Chapter 66 of the Session Laws of Alaska, 1949, to plead and prove that the additional burden consisted of one which was ten times greater than the cost or the burden of collecting taxes from

residents. No such allegation appears in appellee's answer, although appellant alleged in its complaint that the burden and the cost of collecting taxes from non-residents was less than the burden and cost of collecting from residents.

As pointed out by the District Court in the case of *Martinson v. Mullaney*, supra 88 Federal Supplement, pages 79-80, Chapter 66 is "clearly a revenue measure." Being a revenue measure, it would seem that the only ground on which the discrimination could be justified would be an additional cost of collecting from non-residents, and under the decision of the Supreme Court in the case of *Toomer v. Witsell*, that additional cost would need to be ten times as great, or approximately ten times as great, as the cost of collecting from residents.

B. Even if the Discriminatory Tax Could Be Justified as a Valid Tax on Non-Residents and the Differential were merely Sufficient to Pay the Additional Cost and for the Added Enforcement Burden, Section 5 of the Act is Invalid.

Section 5 of Chapter 66, a copy of which chapter is set forth in Appendix A hereto, makes it a criminal offense for any person, association or corporation to have in his, their or its employ any fishermen not duly licensed under the Act, or to purchase fish from any fisherman who is not so licensed. Section 6 of the Act imposes a fine of not to exceed \$500.00, or imprisonment not to exceed six months, or both such fine and imprisonment, or any person, association or corporation violating the provisions of Section 5. It is difficult to find authorities on this point, for we doubt whether there are any similar laws in any state of the

union. Chapter 66 is not concerned with the police power of the Territory, nor with the regulation of the fisheries, but as stated, it is purely a revenue measure. There are many laws which provide for the collection of taxes from those who are not the taxpayers, such as the withholding tax under the Federal income tax law, taxes on the capital stock of banks where the bank is made liable for the tax but may charge it to the shareholders, and where corporations are made liable to pay tax on the interest on their bonds which may be due to bondholders, but in all these cases the third person or the one responsible for the payment of the tax pays it out of funds of the taxpayer under the control of the third person or in his possession.

Chapter 66, however, imposes criminal penalties on a third person or corporation or association for having in their employ one who has not paid the license fee or for purchasing fish from one who has not paid the fee. As stated hereinabove, the appellant in this case had one of three alternatives: (1) either submit to criminal prosecution for employing non-resident fishermen who had not paid the tax or for purchasing fish from them; or (2) pay the tax itself, which in this case amounted to \$20,000.00; or (3) discharge the non-resident fishermen employees and refuse to purchase fish from non-residents. Any one of these alternatives would have subjected the appellant to irreparable loss. If appellant paid the tax it would have no means of suing for a refund and thereby testing the provisions of the law, for the tax was not imposed upon it. Furthermore, there is no law of Alaska which provides for

the refund of taxes paid under protest. The only statute on that subject which we have is Section 48-7-1, ACLA, 1949, which reads as follows:

“CHAPTER 7. RETURN OR REFUND OF TAXES. §48-7-1. *Return of taxes paid under protest or overpayments; Refund of license fee.*

(a) [Tax paid under protest.] Whenever any taxes shall have been paid to the Tax Commissioner under protest and such taxes shall have been covered into the treasury, and the taxpayer or taxpayers involved have recovered judgment against the Tax Commissioner for the return of such tax, or where, in absence of such judgment it shall become obvious to the Tax Commissioner, that such taxpayer would obtain judgment against the Tax Commissioner for recovery of such tax if legal proceedings therefor were prosecuted by him, it shall be the duty of the Tax Commissioner, if approved by the Attorney General and the Treasurer, to issue a voucher against the general fund of the Territory for the amount of such tax in favor of such taxpayer.”

Therefore, a refund may be made only if the Tax Commissioner, the Attorney General and the Treasurer all consent. There is no law which binds them to make a refund under any circumstances. Furthermore, this statute applies only to taxpayers and the appellant in this case would not be the taxpayer.

The effect of Section 5 of the Act is much like making it a crime to purchase a load of hay from a farmer who has not paid the real property tax on his land. Section 5 does not even make any provision for an innocent purchaser of fish who might honestly believe that the person from whom he was purchasing the fish was a resident. He acts at his peril, for it is not necessary that his violation of this section be willful. That

word is not used in the statute. We think the trial court, in passing upon the application for Preliminary Injunction, did not consider the full implication of Section 5, for in the Memorandum Opinion of August 15, 1949, we find the following statement:

“Reduced to a simple statement, therefore, the case is that if the fishermen do not now pay the tax and plaintiff’s officers or agents are arrested or prosecuted for having them in its employ or buying fish from them, plaintiff will suffer irreparable injury. This is insufficient to warrant the interposition of a court of equity.”

However, the pleadings show that by taking any one of the alternatives we have mentioned, the appellant would suffer irreparable injury in either the loss of the very substantial tax which it would have to pay, or the loss and disruption of its business by criminal prosecutions, or a substantial loss of its fish supply, thereby impairing its huge investment in preparation for the canning season.

A case which is as nearly analogous as anything we could find is that of *Truax v. Raich*, 339 U.S. page 32. In that case Arizona adopted a law which provided that no employer employing more than five employees could have more than 20% of aliens in his employ. Raich was employed by Truax, who had told Raich that he must discharge him in order to comply with the law or he would be subject to criminal penalties. Raich sued Truax in order to test the law and he prayed for injunctive relief, asserting the Act to be invalid. He joined the Attorney General of the State and the County Attorney as parties defendant. The Court said:

“It is also settled that while a court of equity, generally speaking, has ‘no jurisdiction over the prosecution, the punishment, or the pardon, of crimes or misdemeanors, a distinction obtains, and equitable jurisdiction exists to restrain criminal prosecutions under unconstitutional enactments, when the prevention of such prosecutions is essential to the safeguarding of rights of property.’” (Citing cases.)

and again at page 38:

“It is further urged that the complainant cannot sue save to redress his own grievance; that is, that the servant cannot complain for the master, and that it is the master who is subject to prosecution and not the complainant. But the Act undertakes to operate directly upon the employment of aliens, and if enforced would compel the employer to discharge a sufficient number of his employees to bring the alien quota within the prescribed limit. It sufficiently appears that the discharge of the complainant will be solely for the purpose of meeting the requirements of the Act and avoiding threatened prosecution under its provisions. It is therefore idle to call the injury indirect or remote. It is also entirely clear that unless the enforcement of the Act is restrained, the complainant will have no adequate remedy, and hence we think that the case falls within the class in which, if the unconstitutionality of the Act is shown, equitable relief may be had.”

The Supreme Court refers to this case in the very recent case of *Takahashi v. Fish and Game Commission*, 334 U.S. 410, in which the Court held invalid an Act of the California Legislature prohibiting aliens from fishing.

C. Chapter 66 Session Laws of Alaska is Invalid Because Passed in Violation of Section 8, Alaska Organic Act (48 USCA Section 76).

Section 8 of the Alaska Organic Act, Section 76, USCA 48, reads as follows:

“§ 76. *Same; enacting clause; subject of act.* The enacting clause of all laws passed by the legislature shall be ‘Be it enacted by the Legislature of the Territory of Alaska.’ No law shall embrace more than one subject, which shall be expressed in its title. (Aug. 24, 1912, c. 387, § 8, 37 Stat. 514.)”

We submit that Chapter 66 embraces more than one subject. The two subjects embraced are first, the imposition of a license tax on fishermen and others, and second, the repeal of certain existing laws, including Section 39-4-1, ACLA 1949, which is Section 1 of Chapter 30 of the Session Laws of Alaska, 1933. This is a law prohibiting aliens from fishing in the waters of Alaska. Therefore, one portion of Chapter 66 deals with licensing fishermen and the other portion, namely the repeal of Section 1 of Chapter 30 of the Laws of 1933, deals with the rights of aliens to fish, and that is a regulatory measure; therefore the Act embraces more than one subject.

The Act is therefore invalid. (See *U. S. v. Howell*, 5 Alaska 578). This is a clear-cut instance of a law containing more than one subject. No doubt the Legislature was moved to repeal the Act of 1933 *supra* because of the decision of the Supreme Court in the Takahashi case *supra*, but we do not think the Legislature in the face of Section 8 of the Organic Act could lawfully include that repeal in a licensing act.

In the case of *Territory of Alaska v. Alaska Juneau Gold Mining Co.*, 105 Federal 2nd page 841, this court held that an Act of the Legislature of Alaska which covered both payment of compensation to injured workmen and payments to the Territory in case of the death of an employee who left no beneficiaries, was invalid as embracing two subjects; first, the subject of workmen's compensation and second, the subject of taxation. The court held this to be a violation of Section 8 of the Organic Act of Alaska. The Act in question is that case was Chapter 84 of the Session Laws of Alaska of 1935, and that was an Act to amend certain provisions of Chapter 25 of the Laws of 1929 relating to the payment of compensation to injured workmen, etc. When Chapter 84 of the Laws of 1935 was enacted, amending Chapter 25 of the Laws of 1929, the provision was inserted in the same Act for the payments to be made to the Territory for the support of aged residents in those cases where the employee was killed and left no beneficiaries. This court said in that case:

“The subject of taxation of employers for the benefit of aged residents is not expressed in either title. It is not germane to the subject of chapter 25 or any section thereof. Therefore, it could not, consistently with section 8 of the Organic Act, be incorporated therein by amendment. *United States v. Howell*, 5 Alaska 578, 584; 25 R.C.L., Statutes, § 115, pp. 870-871; 59 C.J., Statutes, § 400, pp. 816-819.

“We conclude that, insofar as it requires or purports to require any employer to pay appellant any sum of money for or on account of injury to or death of any employee, section 2161, Com-

piled Laws of Alaska 1933, as amended by chapter 84, Session Laws of Alaska 1935, violates section 8 of the Organic Act and is, therefore, invalid."

The title of Chapter 66 does not express the subject of the Act with reference to the licensing of fishermen.

The title of the Act is:

"Pertaining to Fisheries; to provide for the licensing of fishermen in the Territory of Alaska; requiring license fees; defining violations and prescribing penalties; repealing Sections 39-4-1 to 39-4-16, inclusive except 39-4-11, Alaska Compiled Laws Annotated, 1949; and declaring an emergency."

Section 1 of the Act reads as follows:

"For the purposes of this Act, 'fisherman' shall mean any person who fishes commercially for, takes or attempts to take salmon, halibut, bottom fish, crabs, clams, or other fishery resources of Alaska, and shall include every individual aboard boats operated for fishing purposes who participates directly or indirectly in the taking of the raw fishery products above mentioned whether such participation be on shares or as an employee or otherwise. The term 'fisherman' shall also include trap watchmen or others engaged in operating fish traps as well as the crews of tenders or other floating equipment used in handling of fish."

This is extending the provisions of the Act beyond the title, for crews of tenders and crews of other floating equipment used in handling fish are not fishermen and cannot be made so by a mere declaration of the Legislature. The crews of cannery tenders consist of navigators, captains, cooks, tallymen and others who are not either directly or indirectly engaged in fishing; and the crews of floating equipment used in handling

fish may include hundreds of men who are not either directly or indirectly engaged in the fishing operations. There are many floating canneries in Alaska and they are moved from place to place under their own power and require seamen, engineers, deck crews, cooks and others in their navigation. These are not fishermen. In the case of *Boyer v. Black*, 153 ALR 869 at page 872, the Florida Supreme Court in passing upon this point says:

“Section 16, Article III of the Constitution of Florida requires that each law enacted shall embrace but one subject and matter properly connected therewith, which subject shall be briefly expressed in the title. The constitutional provision is mandatory. The title need not be an index to the body of the Act, nor need it embrace every detail of the subject matter. All that is required is that the propositions embraced in the Act shall be fairly and naturally germane to that recited in the title. But if the title is deceptive or misleading, or if by recourse thereto a reader of normal intelligence is not reasonably apprised of the contents of the Act, the title is defective and the Act is in violation of the Constitutional requirement, in so far as such subject matter is improperly included.”

The Florida Constitution, it will be seen, contains some words which are not found in Section 8 of the Alaska Organic Act. The Alaska Organic Act does not contain the words after the word subject “and matter properly connected therewith,” nor does it contain the word “briefly”. However, one looking at the title of Chapter 66 would certainly be deceived, for it provides for a license tax on fishermen and not on cooks, seamen, engineers or others who are included in Section 1.

Alaska has had a fishermen's license tax for a number of years and the appellant had, of course, operated under the provisions of that Act. That Act is Chapter 30 of the Session Laws of Alaska 1933 hereinabove referred to, and Section 5 of Chapter 30 of the Laws of 1933 defines fishing as follows:

“The term ‘fishing’ as used in this Act means the catching of fish, whether by hook, net, seine or trap.”

Naturally a person looking at the title of Chapter 66 of the Laws of 1949 would conclude that the new Act applied to fishermen, as they are properly defined in Section 5 of the old Act. The title is surely “deceptive and misleading.”

“If the caption of a statute is misleading, it falls within the condemnation of the Constitutional provision that the subject of an Act be expressed in its title.” (*State v. Praetorians*, 186 S.W. 2nd 973.)

Indeed, there are provisions in Section 1 of Chapter 66 that have not the remotest connection with either “fishermen or fisheries” and since the title relates only to fishermen and fisheries, to include others in the body of the Act is to have an Act which embraces something not expressed in the title. The last sentence of Section 1 of the Act *supra* states that

“The term ‘fisherman’ shall also include trap watchmen or others engaged in operating fish traps *as well as the crews of tenders or other floating equipment used in handling fish.*” (Italics ours.)

All canned salmon packed in Alaska is shipped to the United States necessarily on regular commercial steamers which ply between ports in the United States and

ports in Alaska carrying general cargo and passengers. These commercial vessels are certainly floating equipment and they handle fish; in fact, they handle all fish after it is packed in cans or frozen in cold storage plants. What are we to do about the crews of these vessels? The Act would seem to define them as fishermen, although they have no connection with fishing, but if they are fishermen they are subject to the tax. That would include captains, mates, officers, engineers, sailors, radio operators, cooks, stewards and waiters of every vessel plying between Alaska and the United States carrying either canned or frozen fish.

It would seem that attempting to apply the license provisions of Chapter 66 to crews of ocean liners, freight and passenger vessels carrying fish and fish products out of the Territory would be much like passing a law requiring a license fee from physicians and surgeons and stating in the law that all janitors, window washers, elevator operators and others employed in a building occupied by a physician or surgeon be classified as physicians or surgeons themselves. Indeed, if Chapter 66 can be held to be valid, a law could be passed and upheld imposing a license tax on physicians and surgeons which could be extended to cover a variety of different occupations such as painters who might paint a building occupied by a physician or surgeon, and a carpenter who would repair a leak in the roof, or the crew of a vessel carrying instruments and supplies to a hospital to be used by the doctors.

Another defect in the title is that it refers to certain sections of the Alaska Compiled Laws Annotated,

1949. The Alaska Compiled Laws Annotated 1949 was never officially adopted. That is a compilation of the laws of Alaska. Chapter 1 of the Session Laws of Alaska of the Extraordinary Session, 1949, attempted to re-enact all the laws contained in the compilation and to adopt them and to repeal all not contained in the compilation. See Chapter 1, Laws of Alaska, Extraordinary Session, 1949.

However, in the case of *Alaska Steamship Co. v. Mullaney* (84 Fed. Supp. 561) the District Court for the First Judicial Division of Alaska held that the Extraordinary Session was irregularly called and therefore all acts passed by it were invalid. As a matter of fact, the Alaska net income tax was passed at that session, but later it was re-enacted by the regular and valid session. See *Alaska Steamship Co. v. Mullaney*, 180 Fed. 2nd, page 805.

Therefore, when the Legislature in the title of Chapter 66, Session Laws of Alaska, 1949, repeals certain sections of the Alaska Compiled Laws Annotated, 1949, it repeals nothing, and therefore we have one definition of fishermen appearing in Chapter 30 of the Laws of 1933 and a very different definition appearing in Section 1 of Chapter 66 of the Laws of 1949.

“In adopting a code or revision, the Legislature must pass a bill therefor, the same as any other law.” 59 CJ, Section 482, page 889.

“That codifiers have any authority to add to, amend, omit, or write new statutes, none as we understand contend; it is when the Legislature enacts their work into law, which gives to their work vitality and the force of law.” *Stevens v. State*, 159 S.W. 505.”

D. A Court of Equity Has Jurisdiction to Enjoin the Defendant in this Case.

The rule is that Courts of Equity do not generally restrain criminal prosecutions. However, there are exceptions to that rule in cases where injunction is necessary to effectually protect property rights.

See *Hygrade Provision Co. v. Sherman*, 266 U.S. at page 500.

In *Terrace v. Thompson*, 263 U.S. at page 197, it is stated:

“The unconstitutionality of a state law is not of itself ground for equitable relief in the courts of the United States. That a suit in equity does not lie where there is a plain, adequate and complete remedy at law is so well understood as not to require the citation of authorities. But the legal remedy must be as complete, practical and efficient as equity ^{could} afford. (Citing cases, page 215) * * * * ”

One is

‘Not obligated to take the risk of fines, prosecution and imprisonment and loss of property in order to secure an adjudication of his rights.’

In *Packard v. Banton*, 264 U.S. page 140, at page 144, we find the following:

“But it is settled that a distinction obtains and equitable jurisdiction exists to restrain criminal prosecutions under unconstitutional enactments when the prevention of such prosecution is essential to the safeguarding of the rights of property.”

See also *Truax v. Raich*, 239 U.S. 37-38 supra.

In all these cases cited the plaintiffs were directly subject to the law, and the obligation, the enforcement of which they sought to enjoin, was their own obligation, except in the case of *Truax v. Raich*, in which the

plaintiff was permitted to enjoin the enforcement of the law in which the criminal penalties were imposed upon the defendant, his employer, as hereinabove pointed out.

In this case the injury arising from the enforcement of the law is an injury to the plaintiff and the allegations of the complaint show that the enforcement of the law will result in great and irreparable loss and injury to the plaintiff, and furthermore that the plaintiff has no remedy at law whatsoever.

In the case of *So. Cal. Telephone Co. v. Hopkins*, 13 Federal 2nd, page 814, this Court held that it was not the duty of the plaintiff to exhaust all possible remedies under the state law before he is entitled to relief in the Federal Court. This case was affirmed in 275 U.S. page 393.

CONCLUSION

For the reasons set forth herein, it is respectfully urged that the summary judgment of the district court be reversed and set aside and that the case be remanded to that court with instructions to grant the relief prayed for in plaintiff's complaint and enter judgment and decree accordingly.

Respectfully,

FAULKNER, BANFIELD & BOOCHEVER
H. L. FAULKNER,
Juneau, Alaska.

For Appellant.

APPENDIX A

Chapter 66, Session Laws of Alaska, 1949

AN ACT

(C.S.H.B. 7)

Pertaining to Fisheries; to provide for the licensing of fishermen in the Territory of Alaska; requiring license fees; defining violations and prescribing penalties; repealing Section 39-4-1 to 39-4-16, inclusive except 39-4-11, Alaska Compiled Laws Annotated, 1949; and declaring an emergency.

Be it enacted by the Legislature of the Territory of Alaska:

Section 1. For the purposes of this Act, "fisherman" shall mean any person who fishes commercially for, takes or attempts to take salmon, halibut, bottom fish, crabs, clams, or other fishery resources of Alaska, and shall include every individual aboard boats operated for fishing purposes who participates directly or indirectly in the taking of the raw fishery products above mentioned whether such participation be on shares or as an employee or otherwise. The term "fisherman" shall also include trap watchmen or others engaged in operating fish traps as well as the crews of tenders or other floating equipment used in handling of fish.

Section 2. No person shall become engaged as a fisherman as above defined without first obtaining a license so to do. License fees levied upon fishermen are as follows: Resident fisherman, \$5.00; non-resident fisherman, \$50.00. Such licenses shall run for one calendar year, and expire on December 31st of each year. For the purposes of this Act, a resident

shall be any citizen who has resided in the Territory for 12 months immediately preceding application for such license and shall have been a bona fide inhabitant of Alaska for at least six months during each calendar year thereafter, and who maintains his place of abode in Alaska. A non-resident is a citizen who has not resided in Alaska for the 12 months immediately preceding application for license or who maintains his principal business or place of abode outside of the Territory. Any person not a citizen of the United States is deemed to be an alien unless he possesses a valid declaration of intention to become such citizen.

Section 3. Licenses to fish shall be issued by the Tax Commissioner pursuant to written applications containing such information as may be required by the Tax Commissioner, and such licenses may also be issued by his deputies. Such applications shall be simple in form and be executed by applicants or their respective agents under the penalties of perjury; Provided, however, that representations respecting citizenship shall not apply to one who is a native descendant of one of the aboriginal tribes of Alaska, and who in the application describes himself as such. The Tax Commissioner's regular deputies shall each be supplied with a metal badge with the words "Territorial Tax Collector" engraved thereon and which badge they shall wear plainly exposed when on duty.

Section 4. The Tax Commissioner is hereby authorized to appoint United States Commissioners, cannery or cold storage agents, fish buyers or other persons as his agents to take applications, issue the licenses and

collect license fees hereunder, and with respect to such persons not employed on salary by the Tax Department, the Tax Commissioner is hereby authorized to establish reasonable and uniform rates of compensation for such services on a commission basis for issuance of each resident and non-resident license. The United States Commissioners and other agents shall monthly transmit to the Tax Commissioner all fees collected by them, less their authorized commissions, together with a full account of same. The Tax Commissioner shall not be liable for defalcation or failure to account for the fees so collected by any such agent, but shall require a bond in such sum as he may deem adequate, conditioned upon faithfully accounting for all moneys collected hereunder.

Section 5. It shall be unlawful for any person, association or corporation, or for the agent of any person, or for the officer or agent of any association or corporation, to have in his, their or its employ any fisherman who is not duly licensed under this Act or to purchase fish from any fisherman who is not so licensed. Each buyer of the fish shall keep a record of each purchase showing name of boat from which the catch involved is taken, amount purchased, and the names of all persons attached to the boat who participated in the trip on which the fish or shellfish were taken. Such records may be kept on forms provided by the Tax Commissioner, but must be kept in any event, and each person charged with keeping such records must report same to the Tax Commissioner in accordance with rules and regulations promulgated by him. Anyone

violating any of the provisions of this section shall be guilty of a misdemeanor, and upon conviction, punishable under the penalty clause of this Act.

Section 6. (a) The Tax Commissioner's deputies shall have the full power to enforce this Act. Likewise the agents of the Fish and Wildlife Service, Department of the Interior, are hereby fully authorized to enforce this Act. (b) Licenses shall be subject to inspection, and shall, upon request by any officer authorized to enforce this Act, be exhibited to him. Failure to procure or exhibit such license as indicated above or otherwise comply with this Act shall be a misdemeanor, and upon conviction thereof the offender shall be subject to a fine not exceeding \$500.00 or imprisonment not to exceed six months, or to both such fine and imprisonment.

Section 7. This Act shall not apply to fishing for personal consumption, but shall apply only to fishing for commercial purposes; Provided, however, that with respect to rivers of Alaska wherein commercial fishing is prohibited, fishing by Indians, Eskimos or Aleuts for the purpose of drying fish for sale as dog food, shall not be considered commercial fishing.

Section 8. Section 39-4-1 to 39-4-16, inclusive except 39-4-11, Alaska Compiled Laws Annotated 1949, are hereby repealed.

Section 9. If any provisions of this Act, or the application thereof to any person or circumstance is held invalid, the remainder of the Act and such application

to other persons or circumstances shall not be affected thereby.

Section 10. An emergency is hereby declared to exist and this Act shall take effect immediately upon its passage and approval.

Approved March 21, 1949.

No. 12623

In The United States
COURT OF APPEALS
For the Ninth Circuit

PACIFIC AMERICAN FISHERIES, INC.,
Appellant,

v.

M. P. MULLANEY, Commissioner of Taxation,
Territory of Alaska,
Appellee.

Upon Appeal from the District Court for the
Territory of Alaska, First Division

BRIEF FOR APPELLEE

J. GERALD WILLIAMS
Attorney General of Alaska

JOHN H. DIMOND
Assistant Attorney General
Juneau, Alaska
For Appellee.

OCT -7 1950

PAUL P. O'BRIEN,

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Miscellaneous:

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NOTE:

The relevant portions of the principal statutes involved, Act of Mar. 21, 1949, Chapter 66, Session Laws of Alaska, 1949, and Section 8 of the Alaska Organic Act, (Act of Aug. 24, 1912, c. 387, §8, 37 Stat. 514, 48 USCA §76), are set out in Appendix A. The case of *Anderson v. Mullaney*, District Court for Alaska, No. 6102-A, decided March 21, 1950, as yet unreported, is set out in Appendix B.

In the United States
COURT OF APPEALS
For the Ninth Circuit

No. 12623

PACIFIC AMERICAN FISHERIES, INC.,
Appellant,

v.

M. P. MULLANEY, Commissioner of Taxation,
Territory of Alaska,
Appellee.

Upon Appeal from the District Court for the
Territory of Alaska, First Division

BRIEF FOR APPELLEE

OPINION BELOW

The opinion of the district court consists of its two memorandum opinions of August 15 and 16, 1949, (R. 28-30) and the minute order in the journal of June 30, 1950 (R. 37).

JURISDICTION

This is a suit to enjoin the appellee from enforcing the provisions of Chapter 66, Session Laws of Alaska, 1949, so far as they are applicable to nonresident fishermen as that term is defined therein, and to have declared null and void and of no legal effect said Chapter 66 as it applies to the said nonresident fishermen (R. 9-10). Summary judgment for appellee was entered on July 7, 1950, and appellant's complaint was dismissed (R. 38). An appeal was taken on June 14, 1950, by filing with the district court notice of appeal (R. 39). The jurisdiction of the district court was invoked under the Act of June 6, 1900, c. 786, § 4, 31 Stat. 322, as amended, 48 USCA § 101. The jurisdiction of this court rests on § 1291 of Title 28, United States Code Judiciary and Judicial Procedure.

QUESTIONS PRESENTED

1. Whether the record in this case shows that there was no genuine issue as to any material fact.
2. Whether appellee as a matter of law is entitled to a judgment and an order dismissing appellant's complaint.

STATEMENT

This action was instituted by appellant on August 5, 1949, to enjoin the enforcement of the provisions of Chapter 66, Session Laws of Alaska, 1949, so far as they are applicable to nonresident fishermen as that

term is defined therein, and to have declared null and void and of no effect said Chapter 66 to the extent that it applies to nonresident fishermen (R. 2-15).

Appellant is engaged in the business of salmon fishing and canning at various places within the Territory of Alaska and has alleged in its complaint that it employs approximately 400 nonresident fishermen in such operations, all of whom are subject to the \$50 license tax under the provisions of Chapter 66, Session Laws of Alaska, 1949 (R. 2-3). Believing that this Act of the Territorial Legislature is invalid on various grounds (R. 4), and that irreparable injury would result to its fishing and canning operations if nonresident fishermen whom it employed were obliged to pay the \$50.00 license tax (R-5-8), appellant, on August 5, 1949, obtained a temporary restraining order enjoining appellee from enforcing any of the provisions of Chapter 66 applicable to nonresident fishermen, and also obtained an order citing appellee to appear before the district court at a designated time and show cause why a preliminary injunction should not be granted (R. 16-18). On August 17, 1949, the court denied appellant's application for a preliminary injunction (R. 31-32), its reasons for such action being set forth in its two memorandum opinions of August 15 and 16, 1949 (R. 28-31).

Thereafter appellee, on May 8, 1950, filed a motion for judgment on the pleadings (R. 36), and the court treating this as a motion for summary judgment, on July 7, 1950, granted the same and entered an order dismissing appellant's complaint (R. 38). The reason

for this action of the court appears briefly in a minute order entered June 20, 1950 (R. 37). This appeal followed (R. 39).

SUMMARY OF ARGUMENT

I.

A summary judgment may be granted in a suit for a permanent injunction as well as in actions at law. *Houghton-Mifflin Co. v. Stackpole Sons*, 31 F. Supp. 517. In granting the summary judgment in this case, the district court did not violate Rule 56, Rules of Civil Procedure, since this rule does not make it mandatory that affidavits be filed, *Fletcher v. Evening Star Newspaper Co.*, 133 F. (2) 395, and since findings of fact and conclusions of law are not required, *Lindsey v. Leavy*, 149 F. (2) 899, 902, cert. denied 326 U. S. 783. The only matter to be considered on this appeal is whether on the basis of the record in this case there is any genuine issue as to any material fact and whether appellee is, as a matter of law, entitled to judgment. Cf. *Keehn v. Brady Transfer & Storage Co.*, 159 F. (2) 383, 385.

II.

The record fully satisfies the requirements for a summary judgment that there be no genuine issue as to any material fact and that appellee be entitled to judgment as a matter of law.

A. The only facts alleged in the complaint, as distinguished from legal conclusions, upon which appellant bases its claim of invalidity of Chapter 66, Session Laws of Alaska, 1949, have already been considered and disposed of in the case of *Anderson v. Mullaney*, District Court for Alaska, First Division, No. 6102-A, decided March 21, 1950, where the same district court found Chapter 66 to be valid. The rule of "stare decisis" or "precedent" is then applicable and there was no abuse of discretion in the district court's refusal to consider these same issues again in this case. See 14 *Am. Jur., Courts*, §§59-61, p. 283; *Zinsser et al, v. Krueger*, 45 Fed. 572, 574-575.

B. The majority of the questions of law raised by appellant have been disposed of in the *Anderson* case, *supra*. Hence the district court did not abuse its discretion in refusing to hear arguments that Chapter 66 is invalid on the ground that it was passed in violation of Section 9 of the Organic Act (Act of Aug. 24, 1912, c. 387, § 9, 37 Stat. 514, 48 USCA §77 *et seq.*), the Fourteenth Amendment to the United States Constitution and the Civil Rights Act (Act of May 31, 1870, c. 114, §16, 116 Stat. 144, 8 USCA §41), or that it "makes an unlawful distinction between residents and nonresidents and wrongfully defines a nonresident" (R. 4).

C. With respect to the other legal issues raised by appellant, it is clear that as a matter of law appellee is entitled to judgment. Section 3 of the Alaska Organic Act (Act of Aug. 24, 1912, c. 387, §3, 37 Stat. 512, 48 USCA §24) has not been violated since Chap-

ter 66 is a revenue measure and not a fish law. Cf. *Alaska Fish Co. v. Smith*, 255 U. S. 44, 49. The constitutional questions involved in a consideration of whether Section 5 of Chapter 66, imposing criminal penalties on one who either purchases fish from or employs fishermen not licensed under the Act, should not be considered here for two reasons: (1) because it is not plainly disclosed from an examination of the record that this was a genuine issue in the trial court, Cf. *Ring Engineering Co. v. Otis Elevator Co.*, 179 F. (2) 812, and (2) because this is not a case involving this particular portion of Chapter 66 as applied to appellant since appellant is not here being prosecuted under Section 5 of that Act. See *Watson v. Buck*, 313 U. S. 387, 402. Finally, there has been no violation of Section 8 of the Alaska Organic Act (Act of Aug. 24, 1912, c. 387, §8, 37 Stat. 514, 48 USCA §76). All of the provisions of Chapter 66 are so naturally connected to each other as to constitute one "subject," that "subject" is expressed in the title of this Act, and there is nothing else in the title which can be said to thwart the purpose and intent of Section 8, which is to "prevent the inclusion of incongruous and unrelated matters and to guard against inadvertence, stealth and fraud in legislation . . ." *Posados v. Warner B. & Co.*, 279 U. S. 340, 344.

III.

In this case there is no genuine issue as to any material fact and appellee is entitled to judgment as a matter of law because even if the well pleaded facts

in appellant's complaint are taken as true, this action would still have to be dismissed since it is not one for the peculiar type of relief that a court of equity is competent to give. Appellant bases its claim of irreparable injury on certain alleged threats of criminal prosecution, but such assertions are not sufficient to show the "exceptional circumstances and danger of irreparable loss—both great and immediate" essential to justify the interposition of a court of equity. If and when a criminal prosecution is commenced against appellant, there will then be afforded sufficient opportunity for assertion of appellant's claim as to the invalidity of certain provisions of Chapter 66. *Spielman Motor Co. v. Dodge*, 295 U. S. 89, 95-97; *Watson v. Buck*, 313 U. S. 387, 399-401; *Douglas v. Jeannette*, 319 U. S. 157, 162-164.

ARGUMENT

I.

THE SUMMARY JUDGMENT WAS PROPERLY GRANTED AND NOT ENTERED CONTRARY TO THE RULES OF CIVIL PROCEDURE.

There being sufficient grounds to support the summary judgment as is pointed out below, such judgment is not invalid or contrary to any of the rules of civil procedure because findings of fact and conclusions of law were not made. Rule 52(a) expressly provides that "findings of fact and conclusions of law are unnecessary on decisions of motions under Rules 12 or 56 or any other motion except as provided in Rule

41(b).” Rule 41(b) does provide for such findings in the event the defendant succeeds in his motion to dismiss and the court renders judgment on the merits against plaintiff, but only in those cases where plaintiff has completed presentation of his evidence at the trial and has closed his case. No trial has been had here and plaintiff has presented no evidence, consequently the dismissal of appellant’s complaint in the judgment appealed from here is not the type of involuntary dismissal contemplated by this rule. Findings of fact and conclusion of law, therefore, are not required on a decision of a motion for summary judgment. *Lindsey v. Leavy*, 149 F. (2) 899, 902, cert. denied, 326 U. S. 783; *Filson v. Fountain*, 171 F. (2) 999, 1001, reversed on other grounds, 336 U. S. 681.

Nor was the summary judgment improperly granted because appellee filed no affidavits with his motion or because this action is one for a permanent injunction. Rule 56 does not make it mandatory that affidavits be supplied, *Fletcher v. Evening Star Newspaper Co.*, 133 F. (2) 395, and makes no distinction as to the character or kind of judgment which can be rendered. *Houghton-Mifflin Co. v. Stackpole Sons*, 31 F. Supp. 517. There is only one thing to be considered on this appeal; that is, whether on the record of this case there is any genuine issue as to any material fact, and whether as a matter of law appellee is entitled to judgment and an order dismissing appellant’s complaint. Cf. *Keehn v. Brady Transfer & Storage Co.* 159 F. (2) 383, 385.

II.

THE RECORD FULLY SATISFIES THE REQUIREMENTS OF A SUMMARY JUDGMENT THAT THERE BE NO GENUINE ISSUE AS TO ANY MATERIAL FACT AND THAT APPELLEE BE ENTITLED TO JUDGMENT AS A MATTER OF LAW.

A. The issues of fact involved here have already been adjudicated in the case of ANDERSON v. MULLANEY.

An examination of the complaint (R. 2-15) shows that the only facts alleged, as distinguished from legal conclusions, upon which appellant bases its claim of invalidity of Chapter 66, Session Laws of Alaska, 1949, are those contained in Paragraph VI (R. 4-5) which attempt to show that there is no basis for the classification between resident and nonresident fishermen in the matter of fishing licenses. Therefore, although appellant asserts various reasons why the statute should be declared invalid (Paragraph V) (R. 4), the issue of fact presented by the complaint and answer relates to only one of those grounds; that is, that the statute contains an invalid classification between resident and nonresident fishermen in the matter of the differences in the amount of license tax for each class and thus violates Section 9 of the Organic Act of Alaska (Act of Aug. 24, 1912, c. 387, §9, 37 Stat. 514, 48 USCA §77 *et seq.*), the Fifth and Fourteenth Amendments to the United States Constitution, and the Civil Rights Act (Act of May 31, 1870, c. 114, §16, 116 Stat. 144, 8 USCA §41) (R. 4). This identical issue, however, was expressly raised, considered and decided in the case of *Anderson v. Mull-*

aney, District Court of Alaska, First Division, No. 6102-A, decided March 21, 1950. The district court in that case decided that Chapter 66 was entirely valid as against the contention that the classification between resident and nonresident fishermen was unreasonable and invalid. In that case there was necessity for a decision on this issue, there was sufficient citation of authorities, and the court gave clear and complete reasons for its conclusions. There is then no longer any genuine issue as to any material fact related to the validity of Chapter 66. The rule of "stare decisis" or "precedent" applies and must be adhered to in order to achieve uniformity, certainty and stability in the law. See 14 *Am. Jur., Courts*, §§59-61, pp. 283-284; *Zinsser et al v. Krueger*, 45 F. 572, 574-575; *Siebert v. U.S. Ex Rel Harshman*, 129 U. S. 192; *Lusk v. Botkin*, 240 U. S. 236, 239; *Cox v. Wood*, 247 U. S. 3, 5-6.

It is not necessary, therefore, to take issue with appellant as to what will justify the classification in Chapter 66 between resident and nonresident fishermen. It may well be, as appellant states, that the latest decision of the United States Supreme Court as to whether the State of South Carolina could impose a \$2500.00 fee on nonresident fishermen and only a \$25.00 fee on resident fishermen, is found in the case of *Toomer v. Witsell*, 334 U. S. 385 (Appellant's Brief, p. 18), but the latest decision on the question of whether Chapter 66, Session Laws of Alaska, 1949, contains a valid classification with respect to fishermen in the Territory of Alaska is contained not in *Toomer v. Witsell*, but in *Anderson v. Mullaney*. The

district court in the latter case having found that there was sufficient proof of increased administrative cost and burden imposed by reason of collecting the license tax from nonresident fishermen to fully justify the imposition of a higher tax on this class, there was, therefore, no abuse of that court's discretion in granting the summary judgment to take judicial notice of its own records in that case, *Fletcher v. Evening Star Newspaper Co.*, 133 F. (2) 395, and to say, in effect, that it meant what it said in the *Anderson* case.

B. The majority of the questions of law raised here have been disposed of in the ANDERSON case.

With exceptions that will be discussed later, the legal issues presented here have already been disposed of in the case of *Anderson v. Mullaney, supra*. Appellant's allegations that Chapter 66 is invalid because it imposes a higher tax on nonresidents than on residents; that it was passed in violation of Section 9 of the Organic Act, in violation of the Fourteenth Amendment to the United States Constitution and in violation of the Civil Rights Act, all of which assertions are apparently based upon the classification in the statute between resident and nonresident fishermen, have been sufficiently and completely disposed of by the district court in its opinion in the *Anderson* case. The further assertion that Chapter 66 "makes an unlawful distinction between residents and nonresidents and wrongfully defines a nonresident," (R. 4), and is for that reason invalid, should not be argued here. This contention, although not expressly considered in the *Anderson* case, was in fact disposed of there by what

the court said with relation to the classification between residents and nonresidents, for if such classification may be based not only upon administrative convenience and expense in collection of the tax, but also upon the "encouragement of settlement and preferment of local enterprise," *Anderson v. Mullaney, supra*, then the definitions of "resident" and "non-resident in Chapter 66 and the resulting distinction between the two are entirely reasonable and proper because rationally related to the object of the classification itself. It was certainly a rational assumption on the part of the territorial legislature that a fisherman "who has not resided in Alaska for the 12 months immediately preceding application for license or who maintains his principal business or place of abode outside the Territory," Chapter 66, Session Laws of Alaska, 1949, §2, is one who, in view of the evidence in the *Anderson* case, would logically cause additional inconvenience and expense in the collection of the tax and one who would be of little assistance in the settlement and development of the Territory. At the very least, this distinction between resident and nonresident fishermen does not show any attempt to oppressively and arbitrarily discriminate against the latter class—something that would have to appear before the statute could be avoided on constitutional grounds of inequality. *Heisler v. Thomas Colliery Co.*, 260 U. S. 245, 255; *Madden v. Ky.*, 309 U. S. 83, 88. The prescribing of residence requirements being a necessary adjunct of the power to classify, the legislature should have considerable freedom in this respect. See *Madden v. Ky., supra*, p. 88.

C. As to the other legal issues relating to the validity of Chapter 66, Session Laws of Alaska, 1949, it is clear that appellee is, as a matter of law, entitled to judgment.

Appellant contends that Chapter 66 is invalid because it was passed "in violation of Section 3, Page 50, Volume 1, Alaska Compiled Laws, 1949," (R. 4) apparently on the theory that the tax constitutes an alteration, amendment, modification or repeal of the "fish. . . laws. . . of the United States applicable to Alaska." (Act of Aug. 24, 1912, c. 387, §3, 37 Stat. 512, 48 USCA §24). To such allegation it is sufficient answer that Chapter 66 is a revenue measure and not a fish law, Cf. *Alaska Fish Co. v. Smith*, 255 U. S. 44, 49, and that it has been settled that the Territory, under the Organic Act, has the express power to impose such a license tax as this. *Haavick v. Alaska Packers Assn.*, 263 U. S. 510; *Anderson v. Smith*, 71 F.(2) 493.

Appellant in its brief contends that its complaint "raises the issue that appellant cannot be punished criminally for having in its employ nonresident fishermen who have not paid the tax or for purchasing fish from nonresident fishermen who have not paid the tax. . . ." (Appellant's Brief, p. 16). This contention has no merit for two reasons: (1) It is not at all clear from an examination of the complaint that this was an issue that appellant intended to rely upon, there being no allegation in the complaint that Chapter 66 is invalid because of such provisions, and, therefore, since such issue is not plainly disclosed as a genuine issue in the trial court, appellant should not be allowed to rely upon it here. Cf. *Ring*

Engineering Co. v. Otis Elevator Co., 179 F. (2) 812; *Booth v. State Farm Auto Ins. Co.*, 138 F. (2) 844, 846. (2) Even if it appears that appellant actually relied upon this issue as a ground upon which it based its attack on the validity of Chapter 66, it need not and should not be decided in a case like this where a permanent injunction is sought. There is no allegation in the complaint showing that appellant has been prosecuted under the penal provisions of Chapter 66 for a violation of the provisions of Section 5 of that Act, and at the time of argument on appellee's motion for summary judgment, appellant made no showing by affidavits, as it could have done under Rule 56(c), that any such prosecutions were commenced during the eleven months that elapsed between the date of filing the complaint and the time the summary judgment was granted. There will be sufficient opportunity for appellant to raise the question as to the validity of Section 5 of Chapter 66 at a time when a prosecution under that section is actually commenced. A decision on the constitutional questions involved there should await a case involving this particular provision of the Act as specifically applied to one who is actually being prosecuted. *Watson v. Buck*, 313 U. S. 387, 402; *Ashwander v. Tenn. Valley Authority*, 297 U. S. 288, 346-348.

Finally, it is appellant's contention that Chapter 66 is invalid because passed in violation of that part of Section 8 of the Alaska Organic Act which provides that "no law shall embrace more than one subject, which shall be expressed in its title." (Act of Aug. 24, 1912, c. 387, §8, 37 Stat. 514, 48 USCA §76.) (See

Appellant's Brief, pp. 25-31.) In this connection it is first of all significant to note that no allegation of this sort was contained in the original complaint which was filed on August 5, 1949 (R. 2-15), but was added by amendment on June 30, 1950, (R.4) which was approximately seven weeks after appellee had filed his motion for judgment on the pleadings (R. 37). It is also significant that at the time this amendment was allowed, appellant did not claim that it was not aware at the time the complaint was filed or during the succeeding eleven months that Chapter 66 might possibly have been passed in violation of Section 8 of the Organic Act. This belated amendment, therefore, appears to have been a shifting of ground and an attempt to try a new theory of recovery. The liberality in granting amendments under Rule 15, Rules of Civil Procedure, certainly should not be extended to allow a losing party, seeing that a case is going against him, the privilege of keeping a case in court indefinitely by trying one theory of recovery after another in the hope of eventually hitting upon a successful one. *Hart v. Knox Co.*, 79 F. Supp. 654, 658; *Apex Smelting Co. v. Burns*, 175 F.(2) 978, 981. This amendment, therefore, should not have been allowed, and it should not be necessary then to consider the question of law involved therein.

Assuming, however, that appellee cannot here raise any objections to the allowance of such amendment, it is clear that Section 8 of the Organic Act has not been violated. Appellant argues that there has been such a violation in three particulars: (1) That Chapter 66 embraces more than one subject because it repeals,

among other things, §39-4-1 Alaska Compiled Laws Annotated, 1949, which section deals in part with the rights of aliens to fish in territorial waters; (2) that the provisions of the Act are extended beyond the title in that "fishermen" are defined to include trap watchmen and crews of tenders and other floating equipment used in the handling of fish, who appellant maintains are not "fishermen" and not even remotely connected with "fishermen" or "fisheries"; and (3) that the title of Chapter 66 is defective in attempting to repeal certain sections of the 1949 Alaska Compiled Laws Annotated, and that since this compilation was adopted by the extraordinary session of the 1949 territorial legislature, which session the district court, in the case of *Alaska Steamship Co. v. Mullaney*, 84 F. Supp. 561, has held to be illegally called, this attempt to repeal any part of the 1949 compilation was an attempt to repeal nothing.

The answers to the above arguments are as follows:

(1) What appellant is really doing in its first argument is making a collateral attack on Chapter 30, Session Laws of Alaska, 1933, the Act which was repealed by Chapter 66, Session Laws of Alaska, 1949 on the theory that since Section 1 of said Chapter 30 makes it unlawful for any person not a citizen of the United States to engage in fishing in the Territory of Alaska, this law embraces more than one subject and is, therefore, in violation of Section 8 of the Organic Act. Suffice it to state that the validity of Chapter 30, Session Laws of Alaska, 1933, is not in issue here.

Chapter 66, Session Laws of Alaska, 1949, is the Act under consideration, and since the title of this Act not only refers to the title of the former Act on the same subject, but also contains a sufficient description of the subject contained in Chapter 66, its validity is not affected by the fact that it proposes in its title to repeal and re-enact, and does repeal and re-enact, the subject of a previous Act, the title of which may have been defective. *Mt. Vernon-Woodberry Co. v. Frankfort Ins. Co.*, 111 Md. 561, 75 Atl. 105, 108.

(2) With respect to appellant's second argument, it is important to note the purpose of the provision such as is contained in Section 8 of the Alaska Organic Act. The objective of such a law is, as was stated by the United States Supreme Court in the case of *Posados v. Warner B. & Co.*, 279 U. S. 340, 344:

“...to prevent the inclusion of incongruous and unrelated matters and to guard against inadvertence, stealth and fraud in legislation. . .the courts disregard mere verbal inaccuracies, resolve doubts in favor of validity and hold that, in order to warrant the setting aside of enactments for failure to comply with this rule, the violation must be substantial and plain.”

There is no “substantial and plain” violation here. If the legislature has the power to license fishermen, it is a necessary adjunct of such power that it have the right to define that term, and since this definition is of the word “fishermen” and not something else, anything contained in such definition is, when compared with other provisions of the Act and with the title

thereof, not diverse and has a natural and rational connection therewith. See *Utah Power & Light Co. v. Pfof*, 286 U. S. 165, 187-188; *Wickersham v. Smith*, 7 Alaska 522, 543-544; *Griffin v. Sheldon*, 11 Alaska 607, 615-616, reversed on other grounds, 174 F.(2) 382. It is not at all relevant to a decision as to a possible violation of Section 8 whether the legislature exceeded its authority or violated some constitutional requirement in including in the definition of the word "fishermen" classes of persons whom appellant contends should not have been included. This is an entirely separate issue, and it is, therefore, sufficient for the purpose of Section 8 of the Organic Act that that the word "fishermen" is defined in Chapter 66. As far as the objection that appellant attempts to raise that crews of tenders and other floating equipment are not actually fishermen and should not be included in the definition of that term in Chapter 66, it is not necessary for a decision in this case to consider such argument. Appellant is not a member of a crew of a tender or other floating equipment used in the handling of fish, and, therefore, there will be sufficient time to answer this argument when a case is brought by one who is a member of such class and claims to be injured by being included as a fisherman. *Watson v. Buck*, 313 U. S. 387, 402; *Ashwander v. Tenn. Valley Authority*, 297 U. S. 288, 347.

(3) Appellant's third argument has little merit. Although the illegality of the extraordinary session of the 1949 territorial legislature, *Alaska Steamship Co. v. Mullaney*, *supra*, may have caused the adoption of the Alaska Compiled Laws Annotated to be ineffective,

no one can be misled or deceived as to what the legislature intended in repealing in Chapter 66 certain portions of that compilation, since an examination of those sections indicates the particular session laws of Alaska from which they were copied. The legislative intent to substitute former legislation pertaining to the licensing of fishermen of Alaska by Chapter 66, which deals with the same subject, is obvious to any reasonable person. The possible defect in codification of the Alaska laws cannot reasonably thwart the purpose of Section 8 of the Organic Act which is "to prevent the inclusion of incongruous and unrelated matters and to guard against inadvertence, stealth and fraud in legislation. . . ." *Posados v. Warner B. & Co., supra.*

III.

THE SUMMARY JUDGMENT WAS PROPERLY GRANTED SINCE THIS CASE IS NOT ONE FOR THE PECULIAR TYPE OF RELIEF THAT A COURT OF EQUITY IS COMPETENT TO GIVE.

The district court, on August 17, 1949, denied appellant's application for a preliminary injunction on the ground that this case was "merely an ordinary case of a criminal prosecution which would afford adequate opportunity for the assertion of the rights claimed to have been invaded, and hence insufficient to show irreparable injury." (R. 30) It is true, as appellant remarks in its Statement that no findings of fact as such were made (Appellant's Brief, p. 5), but full compliance with Rule 52(a) of the Rules of Civil Procedure, requiring findings of fact and conclusions of law by a court in refusing an interlocutory injunction, has been had since this rule provides that

if an opinion or memorandum of decision is filed, it is sufficient if the findings of fact and conclusion of law appear therein. The court rendered two memorandum opinions on this point (R. 28-31) and they are entirely sufficient to indicate the factual basis for its ultimate conclusion. See *Kelley v. Everglades District*, 319 U. S. 415, 422.

The district court, in granting the summary judgment dismissing the appellant's complaint, did so on the ground "that there is no issue of fact in view of the lack of power to grant injunctive relief." (R. 38) This is entirely clear and should not be confusing to appellant. "Lack of power to grant injunctive relief" means only one thing; that is, that this case is not one for the type of relief by way of injunction that an equity court is competent to give. And if reasons for this conclusion of the court are demanded, they are fully set out in its memorandum opinions of August 15 and 16, 1949, (R. 28-31) where the court refused to grant the interlocutory injunction. What the court obviously meant in ruling on the motion for summary judgment was that even taking the facts well pleaded by appellant to be true, *Creedon v. Bowman*, 75 F. Supp. 265, 267, the action would have to be dismissed on the final hearing because the court would not have been able to grant a permanent injunction in a case of this kind. This, therefore, is the type of case where the want of equity is so obvious that even if not objected to by appellee, it would have had to have been objected to by the court on its own motion. See *Matthews v. Rodgers*, 284 U. S. 521, 524.

The rule is well settled that equity will not enjoin the enforcement of a taxing statute on the mere allegations of a complainant that the tax is illegal or burdensome, but that in addition to such allegations there must be a sufficient showing that the case comes under some recognized head of equity jurisdiction such as the lack of an adequate remedy at law or danger of irreparable injury, *State R. R. Tax Cases*, 92 U. S. 575. Especially is this true when the equity powers of a court are invoked to interfere by injunction with threatened criminal prosecutions. *Douglas v. Jeannette*, 319 U. S. 157, 162; *Beal v. Mo. Pac. R. Co.*, 312 U. S. 45, 49; *Spielman Motor Co. v. Dodge*, 295 U. S. 89, 95. Since "no citizen or member of a community is immune from prosecution, in good faith, for his alleged criminal acts," *Beal v. Mo. Pac. R. Co.*, *supra*, p. 49, there is ample opportunity for one who feels aggrieved to raise the question of the lawfulness or constitutionality of a statute upon which a prosecution is based in a criminal case, without resorting to a suit for an injunction. *Douglas v. Jeannette*, *supra*, p. 163. In order for one to bring a case within the exception to the rule, there must be a clear showing of "exceptional circumstances" and that the "danger of irreparable loss is both great and immediate." *Spielman Motor Co. v. Dodge*, *supra*, p. 95.

No such showing is made here. The allegations of fact upon which appellant bases its claim of irreparable injury are as follows: (1) That appellee has demanded from appellant payment of the license tax imposed under Chapter 66 on each nonresident fisherman who is an employee of appellant and on each

nonresident fisherman from whom appellant purchases fish, and has threatened to prosecute appellant if such taxes are not paid (R. 5-6, 12); (2) that appellee has threatened to disrupt and destroy appellant's fishing and canning operations and destroy its investment necessary thereto (R. 6); (3) that appellee has threatened to prosecute the employees of appellant who are fishermen for engaging in the business of fishing without a license (R. 5-6); (4) that appellee sent his deputies to Naknek in July 1949 with warrants of arrest (R. 6, 13); (5) and that appellee has threatened to prosecute appellant for employing and purchasing fish from nonresident fishermen who were not licensed (R. 13).

Points (1) and (2) do not sustain appellant's alleged claim of irreparable injury. First of all, appellant is not subject to the taxing provisions of Chapter 66 and there is nothing contained in that Act which requires appellant to pay the tax on nonresident fishermen whether they be employees of appellant or whether they be those from whom appellant purchases fish. Appellant, therefore, not being within the class of persons to whom the taxing provisions of the Act apply, should not be allowed to rely upon such allegations as a basis for the irreparable injury necessary to be shown in order to test the validity of the Act by way of a suit for injunction. Cf. *Heald v. District of Columbia*, 259 U. S. 114, 123; *Ashwander v. Tenn. Valley Authority*, 297 U. S. 288, 347-348. Secondly, it is difficult to imagine just how appellee would proceed to go about disrupting and destroying appellant's fishing and canning operations. Certainly

there is nothing in Chapter 66 which gives appellee such power or authority. A general statement such as this falls short of such a threat as would warrant the interference of a court of equity. Cf. *Watson v. Buck*, 313 U. S. 387, 400.

The remaining allegations then upon which appellant's claim for injury are based may be reduced to this: that appellee has threatened to prosecute the nonresident fishermen employees of appellant for fishing without licenses; has threatened to prosecute appellant for employing and for buying fish from nonresident fishermen who are not licensed, and that appellee's deputies on one occasion went to Naknek with warrants of arrest (although there was nothing said as to whether any arrests were actually made). The district court was entirely correct in stating that this was insufficient to warrant the interposition of a court of equity (R. 29). Appellant's allegations, therefore, are nothing more than a statement that appellee intends to perform his duty, which is not the "equivalent of a threat that prosecutions are to be begun so immediately, in such numbers, and in such manner as to indicate the virtual certainty of that extraordinary injury which alone justifies equitable suspension of proceedings in criminal courts." *Watson v. Buck*, *supra*, pp. 400-401.

This is then a case where in one criminal prosecution brought against either a fisherman who is not licensed or against appellant for having in its employ, or for purchasing fish from, a fisherman who is not licensed, adequate opportunity would be afforded for

an assertion of appellant's alleged claim that certain provisions of Chapter 66 applicable to appellant are invalid, *Spielman Motor Co. v. Dodge, supra*, p. 96, and nothing indicates that more than one such prosecution would be necessary. Cf. *Matthews v. Rodgers*, 284 U. S. 521, 529. There is, then, absolutely no showing of any great and immediate danger of irreparable loss, particularly in view of the fact that under the penal provisions of Chapter 66 there is no provision for seizure and forfeiture of appellant's property or of an ousting of appellant from the fishing grounds in Alaska where it carries on its business, Cf. *Hynes v. Grimes Packing Co.*, 337 U. S. 86, 99; and in view of the fact that at the time of the argument on the motion for summary judgment, appellant did not, although it had adequate opportunity to do so, present any affidavits indicating that between August 5, 1949, and July 29, 1950, it had actually suffered any irreparable loss and had its operations disrupted and business destroyed.

CONCLUSION

For the foregoing reasons, it is respectfully submitted that the action of the district court in granting the summary judgment for appellee and dismissing the appellant's complaint was proper and that the judgment should, therefore, be affirmed.

Respectfully,

J. GERALD WILLIAMS
Attorney General of Alaska

JOHN H. DIMOND
Assistant Attorney General
Juneau, Alaska

For Appellee.

September 1950

APPENDIX A

Chapter 66, Session Laws of Alaska, 1949

AN ACT

Pertaining to Fisheries; to provide for the licensing of fishermen in the Territory of Alaska; requiring license fees; defining violations and prescribing penalties; repealing Section 39-4-1 to 39-4-16, inclusive except 39-4-11, Alaska Compiled Laws Annotated, 1949; and declaring an emergency.

Be it enacted by the Legislature of the Territory of Alaska:

Section 1. For the purposes of this Act, "fisherman" shall mean any person who fishes commercially for, takes or attempts to take salmon, halibut, bottom fish, crabs, clams, or other fishery resources of Alaska, and shall include every individual aboard boats operated for fishing purposes who participates directly or indirectly in the taking of the raw fishery products above mentioned whether such participation be on shares or as an employee or otherwise. The term "fisherman" shall also include trap watchmen or others engaged in operating fish traps as well as the crews of tenders or other floating equipment used in handling of fish.

Section 2. No person shall become engaged as a fisherman as above defined without first obtaining a license so to do. License fees levied upon fishermen are as follows: Resident fisherman, \$5.00; non-resident fisherman, \$50.00. Such licenses shall run for one calendar year, and expire on December 31st of each year. For the purposes of this Act, a resident

shall be any citizen who has resided in the Territory for 12 months immediately preceding application for such license and shall have been a bona fide inhabitant of Alaska for at least six months during each calendar year thereafter, and who maintains his place of abode in Alaska. A non-resident is a citizen who has not resided in Alaska for the 12 months immediately preceding application for license or who maintains his principal business or place of abode outside of the Territory. Any person not a citizen of the United States is deemed to be an alien unless he possesses a valid declaration of intention to become such citizen.

Section 3. Licenses to fish shall be issued by the Tax Commissioner pursuant to written applications containing such information as may be required by the Tax Commissioner, and such licenses may also be issued by his deputies. Such applications shall be simple in form and be executed by applicants or their respective agents under the penalties of perjury; Provided, however, that representations respecting citizenship shall not apply to one who is a native descendant of one of the aboriginal tribes of Alaska, and who in the application describes himself as such. The Tax Commissioner's regular deputies shall each be supplied with a metal badge with the words "Territorial Tax Collector" engraved thereon and which badge they shall wear plainly exposed when on duty.

Section 4. The Tax Commissioner is hereby authorized to appoint United States Commissioners, cannery or cold storage agents, fish buyers or other persons as his agents to take applications, issue the licenses and

collect license fees hereunder, and with respect to such persons not employed on salary by the Tax Department, the Tax Commissioner is hereby authorized to establish reasonable and uniform rates of compensation for such services on a commission basis for issuance of each resident and non-resident license. The United States Commissioners and other agents shall monthly transmit to the Tax Commissioner all fees collected by them, less their authorized commissions, together with a full account of same. The Tax Commissioner shall not be liable for defalcation or failure to account for the fees so collected by any such agent, but shall require a bond in such sum as he may deem adequate, conditioned upon faithfully accounting for all moneys collected hereunder.

Section 5. It shall be unlawful for any person, association or corporation, or for the agent of any person, or for the officer or agent of any association or corporation, to have in his, their or its employ any fisherman who is not duly licensed under this Act or to purchase fish from any fisherman who is not so licensed. Each buyer of the fish shall keep a record of each purchase showing name of boat from which the catch involved is taken, amount purchased, and the names of all persons attached to the boat who participated in the trip on which the fish or shellfish were taken. Such records may be kept on forms provided by the Tax Commissioner, but must be kept in any event, and each person charged with keeping such records must report same to the Tax Commissioner in accordance with rules and regulations promulgated by him. Anyone violating any of the provisions of this section shall be

guilty of a misdemeanor, and upon conviction, punishable under the penalty clause of this Act.

Section 6. (a) The Tax Commissioner's deputies shall have full power to enforce this Act. Likewise the agents of the Fish and Wildlife Service, Department of the Interior, are hereby fully authorized to enforce this Act. (b) Licenses shall be subject to inspection, and shall, upon request by any officer authorized to enforce this Act, be exhibited to him. Failure to procure or exhibit such license as indicated above or otherwise comply with this Act shall be a misdemeanor, and upon conviction thereof the offender shall be subject to a fine not exceeding \$500.00 or imprisonment not to exceed six months, or to both such fine and imprisonment.

Section 7. This Act shall not apply to fishing for personal consumption but shall apply only to fishing for commercial purposes; Provided, however, that with respect to rivers of Alaska wherein commercial fishing is prohibited, fishing by Indians, Eskimos or Aleuts for the purpose of drying fish for sale as dog food, shall not be considered commercial fishing.

Section 8. Section 39-4-1 to 39-4-16, inclusive except 39-4-11, Alaska Compiled Laws Annotated 1949, are hereby repealed.

Section 9. If any provisions of this Act, or the application thereof to any person or circumstance is held invalid, the remainder of the Act and such application

to other persons or circumstances shall not be affected thereby.

Section 10. An emergency is hereby declared to exist and this Act shall take effect immediately upon its passage and approval.

Approved March 21, 1949.

* * *

Act Aug. 24, 1912, c 387, §8, 37 Stat. 514, 48 USCA §76.

The enacting clause of all laws passed by the legislature shall be "Be it enacted by the Legislature of the Territory of Alaska." No law shall embrace more than one subject, which shall be expressed in its title.

APPENDIX B

IN THE DISTRICT COURT
FOR THE TERRITORY OF ALASKA
DIVISION NUMBER ONE AT JUNEAU

OSCAR ANDERSON and
ALASKA FISHERMENS'
UNION,

Plaintiff,

vs.

M. P. MULLANEY.

Defendant.

No. 6102-A
OPINION

Filed March 21, 1950

WM. L. PAUL, JR. and R. E. JACKSON, Attorneys
for Plaintiffs.

J. GERALD WILLIAMS, Attorney General of Alaska
and JOHN H. DIMOND, Assistant Attorney General.
for Defendant.

By Chapter 66, SLA, 1949, the Territorial Legislature increased the license taxes on resident fishermen from \$1 to \$5 and on non-resident fishermen from \$25 to \$50. The \$25 tax, imposed in 1933 when the purchasing power of a dollar was more than double what it now is, was sustained in *Anderson v. Smith*, 71 F.(2) 493.

Plaintiffs seek to restrain the enforcement of this act, so far as it applies to non-resident fishermen, on the grounds that:

(1) It contravenes the 14th amendment in that it discriminates against non-residents;

(2) That it conflicts with the provision of Section 9 of the Organic Act, 37 Stat. 512, 48 USCA 78, requiring uniformity of taxation on the same class of subjects;

(3) That it encroaches on the admiralty jurisdiction thereby substantially affecting its uniformity, and

(4) Burdens interstate commerce in violation of Article 1, Section 8 of the Constitution.

Since the third contention is disposed of adversely to plaintiff by *Alaska Steamship Company v. Mullaney*, decided March 1, 1950, by the Court of Appeals for the 9th Circuit, and *Just v. Chambers*, 312 U. S. 383, 392; and it is well settled that a tax of this kind is not a burden on interstate commerce because the taxable event—the taking of the fish—occurs before the fish have entered the flow of commerce, *Toomer v. Witsell*, 334 U. S. 385, 394, and that the uniformity provision of the Organic Act does not apply to license taxes, *Alaska Fish Saltery & By-Products Co.*, 255 U. S. 44, these contentions will not be discussed.

So far as the remaining contention that the tax violates the 14th amendment is concerned, the question differs in form only from that presented in *Martinsen v. Mullaney*, 85 F. S. 76. In that case this Court held that in the absence of evidence of the existence of a rational basis for classification, the tax of \$50 on

non-resident fishermen was invalid under the Civil Rights Act. In the instant case the defendant has introduced evidence showing the earnings of non-resident fishermen and the difficulty and expense of collecting the tax from them, detecting evasions and apprehending violators. Briefly, the evidence shows that thousands of non-residents come to Alaska each year and engage in fishing for salmon during the fishing season, which varies from 20 days in Bristol Bay to 2 months elsewhere, during which time they enjoy the protection of the local government; that among them are hundreds of trollers who come to the Territory in their power boats, roaming far and wide along the 26,000 miles of coastline; and that since they own no property and are not required by the shipping laws to enter or clear upon arrival in or departure from the Territory and, moreover, warn each other by radiophone of the proximity or presence of the tax collector, the difficulties of detection, apprehension and collection during the short fishing season are well nigh insuperable. Moreover, the evidence shows that evasion does not end with apprehension, for often there is a claim of local residence, the verification of which can not be undertaken until the pursuit of evaders ends with the close of the fishing season, when, upon discovery of the falsity of the claim, the violator is invariably out of the jurisdiction of the Territory. It is not surprising, therefore, that the testimony shows that 90 per cent of the cost of collecting the taxes under Chapter 66 is incurred in collecting or attempting to collect the non-resident tax.

The evidence further shows that the net annual earnings of trollers for a season of 4 to 5 months average approximately \$3500; of gill netters in Bristol Bay approximately \$2500 for a season of 20 days, while the average earnings of those employed on cannery tenders and traps are approximately \$1500 and \$2000, respectively.

I am of the opinion, therefore, that the classification of fishermen into residents and non-residents rests on substantial differences bearing a fair and reasonable relation to the object of the legislation, within the doctrine of *Royster Guano Co. v. Virginia*, 253 U. S. 412, 415; *Louisville Gas & Electric Co. v. Coleman*, 277 U. S. 32, 37. Indeed, administrative inconvenience and expense in the collection of a tax may themselves afford sufficient basis for such a classification. *Carmichael v. Southern Coal Co.*, 301 U. S. 495, 512; *Madden v. Kentucky*, 309 U. S. 83, 89, 90. Likewise the encouragement of settlement and preferment of local enterprise would appear to be sufficient under *Haavik v. Alaska Packers' Assn.*, 263 U. S. 510, 515; *Welch v. Henry*, 305 U. S. 134, 146; *New York Rapid Transit v. New York*, 303 U. S. 573, 580. And the Court will take judicial notice of the national policy implicit in many recent legislative and administrative measures designed to accomplish these ends.

Accordingly, I conclude that the tax is valid and that the complaint should be dismissed.

GEO. W. FOLTA
District Judge

No. 12624

United States
Court of Appeals
for the Ninth Circuit.

GEORGE T. GOGGIN, as Trustee of the Estate
of EUGENE C. BRISBANE, Individually,
and BRISBANE & COMPANY, a Limited
Partnership, Bankrupts,

Appellant,

vs.

CONSOLIDATED LIQUIDATING CORPORA-
TION and UNITED STATES OF AMERICA,
Appellee.

Transcript of Record

Appeal from the United States District Court,
Southern District of California,
Central Division.

NOV 24 1950

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[Clerk's Note: When deemed likely to be of an important nature, errors or doubtful matters appearing in the original certified record are printed literally in italic; and, likewise, cancelled matter appearing in the original certified record is printed and cancelled herein accordingly. When possible, an omission from the text is indicated by printing in italic the two words between which the omission seems to occur.]

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Bldg.

Los Angeles 12, Calif.

In the District Court of the United States, Southern District of California, Central Division

In Bankruptcy No. 44467-B

In the Matter of

EUGENE C. BRISBANE, d.b.a. BRISBANE & COMPANY,

Debtor.

ORIGINAL PETITION IN PROCEEDINGS
UNDER CHAPTER XI

To the Honorable Judges of the District Court of the United States for the Southern District of California, Central Division:

The petition of Eugene C. Brisbane, doing business as Brisbane & Company, having his principal place of business at 8653 Atlantic Boulevard, South Gate, California, respectfully represents:

1. Your petitioner has had his principal place of business at 8653 Atlantic Boulevard, South Gate, California, within the above judicial district, for a longer portion of the six months immediately preceding the filing of this petition than in any other judicial district and was engaged in the manufacture of articles of a machine shop.

2. No bankruptcy proceeding, initiated by a petition by or against your petitioner, is now pending.

3. That your petitioner is unable to pay his

debts as they mature and proposes the following arrangement with his unsecured creditors:

A. A receiver shall be placed in charge of the assets pending the confirmation of an arrangement hereinafter proposed or until further order of the Court.

B. The principal assets of this debtor consist of certain real estate and building located at 8653 Atlantic Boulevard, South Gate, California, together with a large amount of furniture, fixtures and equipment necessary to operate said plant, of the approximate value of \$430,000.00. In addition to said assets, your petitioners owns certain assets as follows:

Home located at 1638 Shenendoah Road, San Marino, California, of the valuation of \$60,000.00, which is held in joint tenancy with his wife, Ruth Brisbane.

Furniture located therein, of the valuation of \$25,000.00.

A furnished home on Catalina Island, Avalon, California, of the value of \$40,000.00.

A schooner valued at \$35,000.00.

Accounts receivable, mostly owing by the United States Government, in the sum of approximately \$130,000.00.

That the liabilities of the debtor are approximately stated as follows:

The United States Government Collector of Internal Revenue claims that the debtor is indebted to said agency in the sum of \$257,000.00, which the debtor seriously disputes and believes that upon a

hearing thereof as to the validity of such claim that it would be reduced to not more than \$75,000.00.

Other liabilities are as follows:

Accounts payable, \$146,000.00.

Notes payable, \$70,000.00.

Reconstruction Finance Corporation, \$60,000.00.

United States Government, \$10,000.00.

Therefore, it appears that the fair value of the debtor's assets is almost double the amount of liabilities which will eventually be allowed and if debtor is permitted to reorganize his affairs, not only would the creditors be paid in full, but a substantial equity will remain in the business for the debtor.

That your petitioner has a very valuable good will in said business and has made large sums of money in the operation of said business.

It is the debtor's plan to incorporate said business and to issue preferred and common stock to investors, which should produce sufficient working capital to permit the company to recommence operation of its business and provide a substantial payment to creditors within a very short time.

That by operation under the proper supervision of a creditors' committee, composed of the principal unsecured creditors, the debtor proposes, from the gross profits of the business, to pay the following debts in the following order of priority.

(a) The necessary expenses in the operation of the business.

(b) The actual necessary costs of administration of the debtor estate as fixed by the court, in-

cluding fees of the attorneys for the debtor, the receiver, the assignee for the benefit of creditors and the necessary amount to be expended for filing and indemnity fees.

(c) The payment of the United States Government in such amount as allowed by the Court and on such terms and conditions as the United States Government will agree to.

(d) That after all claims entitled to priority have been provided for, the payment of the claims of general unsecured creditors.

It is proposed under the above plan to pay all of the general unsecured creditors in full within such time as will be agreeable to such creditors, or a majority in number and amount thereof, but because of the short length of time within which the debtor must prepare this petition, this plan will be amended to set forth the manner and method of payment of unsecured creditors in greater detail after such agreement has been reached.

C. That it is contemplated that the Court will retain jurisdiction for all purposes until the arrangement has been carried out as hereinabove set forth.

D. That upon completion of the entire arrangement and the satisfaction of all creditors, these proceedings shall thereupon be terminated and the debtor shall then be entitled to manage his affairs.

4. That your petitioner is unable to file his schedules A and B at this time, as set forth in the affidavit filed herewith praying for ten days within which to file his schedules A and B, and your peti-

tioner, upon the granting of the relief prayed for therein, will file his Schedules A and B within the time allowed by the Court.

5. That the statement hereto annexed marked Exhibit 1, and verified by your petitioner's oath, contains a full and true statement of his executory contracts as provided for by the provisions of said Act.

6. That in December of 1945, your petitioner made an assignment for the benefit of creditors to M. W. Engleman, for the purpose of reorganizing his affairs outside of the jurisdiction of the Federal Court. That your petitioner is presently confined to the County Jail of Los Angeles County, State of California, as a result of a conviction in the United States District Court of Federal offenses and is taking proceedings for the purpose of appealing said conviction and sentence and is expecting to be released on bail within the next few days.

That without notice to your petitioner, the said M. W. Engleman, as assignee for the benefit of creditors, engaged Milton J. Wershow Co., as auctioneers, to auction off the real property, building and equipment located at 8653 Atlantic Boulevard, South Gate, California, which as stated above has a valuation of at least \$430,000.00. That said auction sale is set for Tuesday, July 9, 1946, starting at 9:30 a.m. That said auction sale is contrary to the agreement between the said M. W. Engleman and the said petitioner, as to the method of liquidating the debtor's affairs and if permitted to

proceed will prevent the debtor from reorganizing his company and effecting the arrangement hereinabove proposed. That creditors will suffer great detriment as a result thereof and will not receive payment in full of their claims if said sale is permitted to proceed as scheduled. That petitioner prays that said M. W. Engleman, as Assignee for the benefit of creditors, and Milton J. Wershow Co., auctioneers, be enjoined and restrained from disposing and selling, or attempting in any way to dispose of or sell or in any way interfere with any of the property, assets or effects in their possession pending further order of the Court hereof.

Wherefore, your petitioner prays that proceedings may be had upon this petition in accordance with the provisions of Chapter XI of the Act of Congress relating to bankruptcy.

/s/ EUGENE C. BRISBANE.

FRANCIS F. QUITTNER and
BEN L. BLUE,

By /s/ FRANCIS F. QUITTNER,
Attorneys for Debtor.

State of California,
County of Los Angeles—ss.

I, Eugene C. Brisbane, doing business as Brisbane & Company, the petitioner named in the foregoing petition, do hereby make solemn oath that

the statements contained therein are true according to the best of my knowledge, information and belief.

/s/ EUGENE C. BRISBANE.

Subscribed and sworn to before me this 8th day of July, 1946.

[Seal] /s/ FRANCIS F. QUITTNER,
Notary Public in and for
Said County and State.

Exhibit 1

Statement of Executory Contracts

There are no executory contracts.

/s/ EUGENE C. BRISBANE.

State of California,
County of Los Angeles—ss.

I, Eugene C. Brisbane, doing business as Brisbane & Company, the petitioner named in the foregoing petition, do hereby make solemn oath that the statements contained therein are true according to the best of my knowledge, information and belief.

/s/ EUGENE C. BRISBANE.

Subscribed and sworn to before me this 8th day of July, 1946.

[Seal] /s/ FRANCIS F. QUITTNER,
Notary Public in and for
Said County and State.

[Endorsed]: Filed July 8, 1946.

[Title of District Court and Cause.]

APPROVAL OF DEBTOR'S PETITION AND
ORDER OF REFERENCE UNDER SEC-
TION 322 OF THE BANKRUPTCY ACT

At Los Angeles, in said District, on July 8, 1946, before the said Court the petition of Eugene C. Brisbane, dba Brisbane & Company, that he desires to obtain relief under Section 322 of the Bankruptcy Act, and within the true intent and meaning of all the Acts of Congress relating to bankruptcy, having been heard and duly considered, the said petition is hereby approved accordingly.

It is thereupon ordered that said matter be referred to Hugh L. Dickson, Esq., one of the referees in bankruptcy of this Court, to take such further proceedings therein as are required by said Acts; and that the said Eugene C. Brisbane, dba Brisbane & Company, shall attend before said referee on July 15, 1946, and at such times as said referee shall designate, at his office in Los Angeles, California, and shall submit to such orders as may be made by said referee or by this Court relating to said matter.

Witness, the Honorable Leon R. Yankwich, Judge

of said Court, and the seal thereof, at Los Angeles, in said District, on July 8, 1946.

EDMUND L. SMITH,
Clerk.

By /s/ F. BETZ,
Deputy Clerk.

[Endorsed]: Filed July 8, 1946.

[Title of District Court and Cause.]

ORDER OF ADJUDICATION

It Appearing that a petition under Section 322 of the Bankruptcy Act was filed by the above debtor on the 8th day of July, 1946, and that on the same date there was a general order of reference to the undersigned Referee in Bankruptcy; and

It Further Appearing that the debtor filed a Consent to Adjudication in Bankruptcy on August 13, 1946,

It Is Hereby Ordered that the said Eugene C. Brisbane, dba Brisbane & Company, be and he hereby is adjudged a bankrupt according to the Acts of Congress relating to bankruptcy.

Dated: August 15, 1946.

/s/ HUBERT F. LOUGHARN,
Referee in Bankruptcy.

[Endorsed]: Filed August 16, 1946.

[Title of District Court and Cause.]

ORDER OF ADJUDICATION AND ORDER
TO FILE SCHEDULES

A proceeding under Chapter XI, Section 322, of the Bankruptcy Act having been filed herein on the 8th day of July, 1946, by Eugene C. Brisbane, doing business as Brisbane & Company, and an order of adjudication having been entered herein on the 15th day of August, 1946, and it appearing that the said Eugene C. Brisbane is the only general partner in the above-entitled Brisbane & Company, a limited partnership composed of Eugene C. Brisbane, general partner, and Arthur H. Skaer and Herndon J. Norris, limited partners; and it further appearing that an adjudication of the said partnership should be entered herein under the provisions of Section 5 (i) of the Bankruptcy Act;

It Is Ordered that the said partnership, Brisbane & Company, a limited partnership composed of Eugene C. Brisbane, general partner, and Arthur H. Skaer and Herndon J. Norris, limited partners, be, and it hereby is adjudged a bankrupt according to the Acts of Congress relating to bankruptcy.

It Is Further Ordered that the said bankrupt shall file herein, in triplicate, its schedules, within five days from this date.

Dated: January 24, 1947.

/s/ HUGH L. DICKSON,

Referee in Bankruptcy.

[Endorsed]: Filed January 24, 1947.

In the District Court of the United States, Southern
District of California, Central Division

No. 44,467-B

In the Matter of

Eugene C. Brisbane, individually, doing business
as Brisbane & Co., Brisbane & Co., a limited
partnership,

Bankrupt.

FINDINGS OF FACT, CONCLUSIONS OF
LAW, AND ORDER ON PETITION
FOR SEGREGATION OF ASSETS AND
CLAIMS

Upon Reading and filing the verified petition of George T. Goggin, as Trustee in the within bankruptcy proceedings for an order of segregation of assets and claims, and upon motion of Martin Gendel, one of his counsel, and after due written notice to all creditors in the within proceedings, a hearing was duly held before the undersigned Referee, in his courtroom, located on the 3rd floor of the Federal Building, Los Angeles, California, at the hour of 10 o'clock a.m., on December 18, 1947, and no objections having been made or presented to the said petition, and good cause appearing therefor, the undersigned Referee does hereby make the following Findings of Fact, Conclusions of Law and Order:

Findings of Fact

1. The undersigned Referee finds that in the administration of the within estate there are cer-

tain assets attributable to Brisbane & Co., a limited partnership, composed of Eugene C. Brisbane, as general partner, and originally Herndon J. Norris and Arthur H. Skaer, as limited partners, and just prior to the commencement of the bankruptcy proceedings of Eugene C. Brisbane as general partner, and Arthur H. Skaer, only, as limited partner; that the funds attributable to the said Brisbane & Co., a limited partnership, are in accordance with the itemization set forth in Exhibit "A" of the petition above referred to, and represent the net receipts received by the Trustee in the sum of \$119,368.37, prior to allocation of disbursements by the Trustee.

2. The undersigned Referee finds that in the administration of the within estate there are certain assets attributable to Eugene C. Brisbane, personally, in accordance with the itemization set forth in Exhibit "A" of the petition above referred to, and represent the net receipts received by the Trustee in the sum of \$76,868.54, prior to allocation of disbursements by the Trustee.

3. The undersigned Referee further finds that the liabilities of the within estate shall be segregated so that upon the payment of any claims or dividends thereon, the Trustee shall first make payments thereof only from assets attributable to the entity against which the claim should be properly made and allowed, to wit: claims against Brisbane & Co., a limited partnership, shall be paid only out of funds attributable to the said partnership, being

the entity in which the business of Brisbane & Co., was conducted; that claims against Eugene C. Brisbane, individually, shall first be payable only out of funds attributable to the personal assets of Eugene C. Brisbane; that only in the event of a surplus of assets of either entity shall claims be paid out of funds attributable to an entity against which the creditor would not have an original claim.

Conclusions of Law

From the above Findings of Fact, the Undersigned Referee concludes, as a matter of law, that the petition of the Trustee for a segregation of assets and claims, should be granted, and that the claims against Brisbane & Co., a limited partnership, shall be paid first only out of funds attributable to Brisbane & Co., a limited partnership, and claims against Eugene C. Brisbane should be payable first only out of funds attributable to Eugene C. Brisbane, individually.

Order

From the above Findings of Fact, and Conclusions of law, the undersigned Referee does hereby order that the Petition of George T. Goggin, as Trustee in Bankruptcy, for an order of segregation of assets and claims be, and the same is hereby granted, and the assets of Brisbane & Co., a limited partnership, and of Eugene C. Brisbane, individually, are hereby allocated, as to assets now in the hands of the Trustee, in accordance with the analysis set forth in Exhibit "A" of the petition here-

inabove referred to, and specifically as of November 6, 1947, \$119,368.37 is determined as attributable to Brisbane & Co., a limited partnership, and \$76,868.54 as hereby determined attributable to Eugene C. Brisbane, individually.

It Is Further Ordered that the claims shall be segregated and paid first from the entity against which said claims are properly allowable.

Dated this 22nd day of December, 1947.

/s/ HUGH L. DICKSON,

[Endorsed]: Filed December 19, 1947.

[Title of District Court and Cause.]

PETITION FOR ORDER TO SHOW CAUSE
RE: CONSOLIDATED STEEL CORPORATION

To the Honorable Hugh L. Dickson, Referee in
Bankruptcy:

Comes now your petitioner, George T. Goggin,
and respectfully represents as follows:

I.

That he is the duly elected, qualified and acting
Trustee in the within bankruptcy proceedings.

II.

That upon investigating the books and records of
the bankrupt, it appears that the Shipbuilding Di-

vision of the Consolidated Steel Corporation is indebted to the bankrupt, on an open book account in the net sum of \$20,390.82; it further appears that two contract termination accounts now exist between the estate and the aforesaid Consolidated Steel Corporation, predicated upon Purchase Order #H-402, upon which the bankrupt claims \$2,212.31, and which has been audited by the Consolidated Steel Corporation in an approved amount of at least \$1,112.44, and, upon Purchase Order #H-135, in which the estate claims \$47,229.34, and which has been audited by the aforesaid respondent in the sum of \$10,534.05; on the latter two claims the within estate urges that the aforesaid respondent is indebted in the total amount of the contract termination claims in the sum of \$49,441.65, instead of the audited amounts of \$11,646.49.

III.

That Consolidated Steel Corporation admits that it is now indebted in the liquidated amount of \$20,390.82, and in spite of demand made therefor, has failed and refused to pay the said monies to your petitioner, as Trustee in the within proceedings; however, Consolidated Steel Corporation does not claim any right, title or interest in or to said monies, and therefore, should be directed to forthwith turn over said monies to your petitioner, as Trustee; that as to the termination claims of \$49,441.65, Consolidated Steel Corporation should be required to either pay the said termination claims or to show good cause why it is not indebted to the within estate in said amount or any part thereof.

Wherefore, your petitioner prays that this Court issue an order directing the Consolidated Steel Corporation to forthwith appear before this Court and show cause why it should not be required to turn over to your petitioner, as Trustee, all monies properly owing from the within corporation to the within estate pursuant to the facts set forth hereinabove.

Dated: March 29, 1948.

/s/ GEORGE T. GOGGIN,
Trustee,
Petitioner.

/s/ MARTIN GENDEL,
Of Counsel for Trustee.

Duly verified.

[Endorsed]: Filed March 31, 1948.

[Title of District Court and Cause.]

ORDER TO SHOW CAUSE

To Consolidated Steel Corporation, 5700 South Eastern Avenue, Los Angeles, California:

Upon Reading And Filing the verified petition of George T. Goggin, as trustee in the within bankruptcy proceedings, and upon the motion of Martin Gendel, one of his counsel, and good cause appearing therefrom,

It Is Ordered that the Consolidated Steel Corporation, a corporation, is hereby directed to appear

before the Hon. Hugh L. Dickson, Referee in Bankruptcy, in his courtroom on the 3rd floor of the Federal Building, Los Angeles, California, on the 22nd day of April, 1948, at the hour of 10 a.m., or as soon thereafter as counsel can be heard, and then and there to show cause why the prayer of the aforesaid petition for order to show cause, dated the 29th day of March, 1948, a copy of which accompanies the within order to show cause, should not be granted, and why the Consolidated Steel Corporation should not be directed to pay to the trustee in the within estate monies owing to the estate by virtue of dealings between the said Consolidated Steel Corporation and the bankrupt herein.

This order to show cause may be served by placing in the mail a copy of the within order to show cause, and petition for order to show cause, directed to Consolidated Steel Corporation, at its address, 5700 South Eastern Avenue, Los Angeles, California.

Said copies of the within order to show cause and petition to be deposited no later than the 17th day of April, 1948.

Dated this 31st day of March, 1948.

/s/ HUGH L. DICKSON,
Referee in Bankruptcy.

[Endorsed]: Filed March 31, 1948.

[Title of District Court and Cause.]

PETITION ON BEHALF OF THE UNITED STATES FOR LEAVE TO INTERVENE

To The Honorable Hugh L. Dickson, Referee In Bankruptcy:

Comes now the United States of America by and through its attorneys, James M. Carter, United States Attorney, Clyde C. Downing, Assistant United States Attorney, Acting Chief, Civil Division, and Tobias G. Klinger, Special Assistant to the United States Attorney, and respectfully petitions for leave to intervene in the hearing scheduled before this Court on April 22, 1948, at 10:00 o'clock a.m., on the Petition for Order to Show Cause re: Consolidated Steel Corporation, filed by the Trustee herein, and represents as follows:

I.

That the United States of America has a direct and substantial interest in said proceeding in that any sums which Consolidated Steel Corporation may be required to pay under the proposed Order to Show Cause would result in claims for reimbursement by Consolidated Steel Corporation against the United States of America pursuant to the provisions of the pertinent cost-plus-a-fixed-fee contract between said Consolidated Steel Corporation and the United States Maritime Commission.

II.

That the United States of America has a direct

and substantial interest in said proceeding in that, pursuant to the provisions of Public Law 319, commonly known as the Anti-Kickback Statute, it has asserted, through its authorized agencies, prior to the commencement of the within bankruptcy proceeding, a substantial and bona fide claim to the funds or accounts which the Trustee seeks to have Consolidated Steel Corporation pay to the bankrupt estate.

III.

That the United States of America has a direct and substantial interest in said proceeding in that it is informed and believes that one of the principal issues which may be presented to this Court for determination will be the constitutionality of said Anti-Kickback Act, Public Law 319, which was duly enacted by the Congress and approved by the President in order to protect the United States against those who seek to defraud the United States in any of the ways set forth in said Statute.

Wherefore, your petitioner prays that this Court enter an Order granting the United States of America leave to intervene as a party-respondent in the Show Cause Hearing that is scheduled for April 22, 1948, at 10:00 o'clock a.m.

JAMES M. CARTER,
United States Attorney.

/s/ CLYDE C. DOWNING,
Assistant U. S. Attorney,
Acting Chief, Civil Division.

/s/ TOBIAS G. KLINGER,
Special Assistant to the
United States Attorney.

It Is So Ordered:

This — day of — April, 1948.

.....,
Referee in Bankruptcy.

[Endorsed]: Filed April 22, 1948.

[Title of District Court and Cause.]

OBJECTIONS OF UNITED STATES
TO ORDER TO SHOW CAUSE

To The Honorable Hugh L. Dickson, Referee In
Bankruptcy:

Comes now the United States of America by and
through its attorneys, James M. Carver, United
States Attorney, Clyde C. Downing, Assistant
United States Attorney, Acting Chief, Civil Divi-
sion, and Tobias G. Klinger, Special Assistant to
the United States Attorney, and objects to the pro-
posed Order to Show Cause on the grounds:

I.

That prior to the commencement of the within
bankruptcy proceeding the United States of Amer-
ica had, in accordance with the provisions of Public
Law 319, (79th Cong. 2nd Sess.), directed Con-
solidated Steel Corporation to withhold payment to
Brisbane & Company of the sums claimed herein;

that said Statute duly enacted by the Congress and approved by the President, has for its purpose the protection of the United States against those who defraud it, and is in all respects a valid and constitutional enactment; that the aforesaid withholding order constitutes a complete bar to the proposed Order to Show Cause;

II.

That the United States of America, prior to the institution of the within bankruptcy proceedings, had asserted a substantial and bona fide claim of ownership of the property involved adverse to the claim now asserted by the Trustee in Bankruptcy; that as such claimant the United States had not then, nor has it thereafter actually or impliedly consented to a determination of title thereto by the Bankruptcy Court but, on the contrary, has consistently objected thereto and now so objects; that the disputed property was not, and is not now, actually or constructively in the possession of the Bankruptcy Court; that the issue of title to and ownership of said monies cannot properly be determined adversely to the United States in a summary proceeding by this Court, but can only be properly determined in a plenary proceeding duly authorized and filed in a court having jurisdiction; and that such a plenary proceeding should not be authorized by this Court unless and until the Trustee establishes to the satisfaction of this Court that the institution and prosecution of such a plenary proceeding would be in the best interest of the bankrupt estate.

Wherefore, your petitioner prays that the Order to Show cause be dismissed.

JAMES M. CARTER,
United States Attorney.

/s/ CLYDE C. DOWNING,
Assistant U. S. Attorney,
Acting Chief, Civil Division,

/s/ TOBIAS G. KLINGER,
Special Assistant to the United States Attorney,
Attorneys for United States.

[Endorsed]: Filed April 22, 1948.

[Title of District Court and Cause.]

MEMORANDUM OF POINTS AND
AUTHORITIES

Statement of Facts

Consolidated Steel Corporation has been ordered to show cause why it should not pay over to the Trustee in Bankruptcy of the estate of Eugene C. Brisbane \$20,390.82 allegedly owing on an open book account and \$49,441.65 allegedly owing on the basis of Brisbane's audit on purchase orders H-402 and H-135, now in the process of contract termination before the Settlement Section of the Maritime Commission. Consolidated Steel Corporation has audited these last two claims at a figure of \$11,646.49. While this last figure was obtained as the result of

a joint audit made by Consolidated Steel Corporation and an auditor for the Maritime Commission and has been certified to the Settlement Section of the Maritime Commission by Consolidated Steel Corporation as a proper allowance to Brisbane under these purchase orders, it must be emphasized that Consolidated Steel Corporation does not thereby admit that \$11,646.49 is owed by it to Brisbane on these termination claims, since the figure is subject to revision upward or downward by the Settlement Section accordingly as it accepts the audits of Brisbane or of Consolidated Steel Corporation, or for reasons of its own chooses to accept neither and adopts a higher or lower figure than either Brisbane's or Consolidated's audits. The amounts allegedly owing by Consolidated to Brisbane are based upon certain war production subcontracts held by Brisbane. The General Accounting Office and the Maritime Commission of the United States have, under the authority of the Anti-Kickback Act, 41 USC 51, ordered Consolidated Steel Corporation not to make any further payments to Brisbane until authorized to do so by them. These "stop orders" are based on the following facts: McBurney, a purchasing agent of Consolidated Steel Corporation, accepted from Brisbane money in return for McBurney's giving to Brisbane certain war production subcontracts. Under the Anti-Kickback Act it is conclusively presumed that the amount of such "kickbacks" is an excess item of cost to the Government and that the Government is entitled to recover such amount either by a direct

suit against the recipient of the "kickback" or by ordering the prime contractor to withhold payments to the subcontractor which made the illegal "kickback," in the amount of the "kickbacks."

Consolidated Steel Corporation, the prime contractor, has therefore refused to make any further payments to Brisbane until such time as the Maritime Commission and the General Accounting Office release their "stop orders."

In addition to the defense of the Anti-Kickback Act, Consolidated Steel Corporation also advances the defenses as set out below:

I.

Consolidated Steel Corporation Owes Brisbane Nothing Because All Further Payment Has Been Prohibited by the General Accounting Office and the Maritime Commission

The issue of constitutionality of the Anti-Kickback Act has already been thoroughly briefed earlier in these proceedings. The attention of the court is drawn to the briefs filed in this court on September 24, 1947, by Consolidated Steel Corporation and on September 26, 1947, by the United States in support of their petitions for review of an earlier order of Referee Dickson in which he declared the Anti-Kickback Act to be unconstitutional.

II.

The Termination Claims Are Unliquidated

The face of the petition of the Trustee herein

shows the existence of a dispute regarding the amount due under the termination claims. Consolidated Steel Corporation denies the allegation of the Trustee in Bankruptcy that it admits in any way that the sum of \$11,646.49 or any other sum is owing by it to Brisbane until such time as the Settlement Section of the Maritime Commission has made its determination of the amount due. Under the provisions of the Termination of War Contracts Act, 41 USC 101, and the regulations thereunder, when a war contract has been terminated, the subcontractor (in this case Brisbane) submits a claim for payment thereunder to the prime contractor. If the amount of the claim is less than a thousand dollars, the prime contractor can pay the amount without a further audit. If it is more than a thousand dollars, the claim is audited by the prime contractor, which certifies the amount it determines to be properly owing to the Maritime Commission's Settlement Section. Payment to the subcontractor will be made by the prime contractor on the basis approved by the Maritime Commission which, in turn, remunerates the prime contractor. Nothing is owing by the prime contractor until the approval of the Settlement Section of the Maritime Commission has been obtained.

The Settlement Section of the Maritime Commission has not as yet approved the audit of Brisbane or of Consolidated Steel Corporation on purchase orders H-402 and H-135. Therefore, wholly apart from the provisions of the Anti-Kickback Act, noth-

ing is owing from Consolidated Steel Corporation to Brisbane under these purchase orders.

III.

The Order to Show Cause Is Directed Against Monies Against Which the United States Has a Bona Fide Claim and Is Therefore Without the Jurisdiction of This Court

The question of the authority of any court to issue any order against money or property held or claimed by the United States, constituting as it does an order against the United States, has been thoroughly discussed in the brief of the Government previously filed herein on September 26, 1947. Further discussion of the point at this time would serve no purpose.

IV.

The Brisbane-Consolidated Steel Corporation Contracts Are Void Because of Fraud

It is a fundamental principle of agency law that, where an agent represents both parties to the contract without the knowledge of one of the parties thereto, such party may, upon discovering the dual agency, and even without a proof of any loss to him, rescind the contract. Of course, where the rescinding principal has received any benefits under the contract, such benefits must be tendered to the other principal or payment made therefor on a quantum meruit basis if the return thereof is impossible.

Gordon v. Beck (1925), 196 Cal. 768, 771-772;

Wilson v. Southern Pacific Land Co.

(1923), 61 Cal. App. 545;

Newell-Murdock Realty Co. v. Wickham

(1920), 183 Cal. 39, 44;

Burke v. Bours

(1891), 92 Cal. 109, 28 P. 57;

Boulenger v. Morison,

88 Cal. App. 664, 264 P. 256;

Alger v. Anderson

(1897), 78 Fed. 729;

Alger v. Keith

(1900), 105 Fed. 105;

Annotation, 48 A.L.R. 917.

In the principal case *McBurney* was the agent of Consolidated Steel Corporation and received in kickbacks an amount in excess of the total amount here in litigation. Furthermore, *Brisbane* himself received substantial amounts in excess of the legal and proper amounts due under his subcontracts by virtue of his collusion with the agent of Consolidated Steel Corporation. Under the law of agency the contract could be rescinded by Consolidated Steel Corporation and payments to *Brisbane* made solely on a quantum meruit basis. Amounts in excess of the quantum meruit have already been paid, so nothing is owing. A formal notice of rescission by Consolidated Steel Corporation upon its discovery of the dual agency was obviously unnecessary

in view of the fact that Consolidated was already withholding payments from Brisbane under the authority of the government "stop orders."

Under the fundamental principles of the law of fraud and deceit Brisbane and McBurney have conspired to obtain from Consolidated Steel Corporation amounts substantially in excess of the amounts properly due under the Brisbane-Consolidated Steel Corporation contracts. Consolidated Steel Corporation has been defrauded by Brisbane of amounts substantially in excess of the amounts here in issue. All of the elements of fraud were present in the dealings between Consolidated Steel Corporation and Brisbane: A material representation was made; the representation was false; the representation was known to be false by Brisbane; the representation was made with the intent to induce Consolidated Steel Corporation to act in reliance thereon; Consolidated Steel Corporation actually relied thereon; in doing so, Consolidated Steel Corporation acted reasonably; and, finally, Consolidated Steel Corporation suffered substantial injury.

Hobart v. Hobart Estate Company

(1945), 26 Cal. 412, 422, 159 Pac. (2d) 958.

Brisbane, furthermore, would be liable to Consolidated Steel Corporation for any loss suffered by Consolidated Steel Corporation as a result of Brisbane's inducing the servant or agent of Consolidated Steel Corporation to breach his duty to Consolidated Steel Corporation, in the amount of the loss suffered by the corporation.

13 B.R.C. 771.

Wholly apart from the Anti-Kickback Act, and based strictly on the law of agency and fraud, Consolidated Steel Corporation has a valid defense against the claims of Brisbane's Trustee.

V.

The Bankruptcy Court Lacks Jurisdiction to Order
Payment of the Amounts Claimed by the
Trustee

As outlined above, there are substantial questions of both state and federal law as to whether Consolidated Steel Corporation owes or must pay anything to the estate of Brisbane. The matter is not within the summary jurisdiction of a referee in bankruptcy unless such jurisdiction is accepted by all of the parties thereto. The United States has earlier in these proceedings indicated that it will not waive its right to a plenary suit on these issues and Consolidated Steel Corporation has done likewise, and hereby reiterates its position. The question of summary and plenary jurisdiction has been discussed earlier in these proceedings, in the briefs of Consolidated Steel Corporation and of the United States already referred to above.

Respectfully submitted,

WRIGHT & GARRETT,

By /s/ WALTER L. M. LORIMER,
Attorneys for Consolidated
Steel Corporation.

[Endorsed]: Filed April 22, 1948.

[Title of District Court and Cause.]

NOTICE

To George T. Goggin, Trustee of Brisbane & Company and Eugene C. Brisbane, and to the United States of America, and to Gendel & Chichester and James M. Carter, their respective counsel:

You Are Hereby Notified that the name of Consolidated Steel Corporation has been changed to "Consolidated Liquidating Corporation."

Dated:

WRIGHT & GARRETT,

By /s/ WALTER L. M. LORIMER,
Attorneys for Consolidated
Liquidating Corporation.

Receipt of Copy acknowledged.

[Endorsed]: Filed March 25, 1949.

[Title of District Court and Cause.]

STIPULATION

Come now George T. Goggin, as Trustee of Brisbane & Company and Eugene C. Brisbane, Consolidated Liquidating Corporation (formerly known as Consolidated Steel Corporation), and the United States of America, and through their respective counsel do hereby stipulate as follows:

That unless the United States Maritime Commission should require further processing of purchase orders Nos. H-402 and H-135, and without admission by Consolidated Liquidating Corporation or the

United States of liability for the payment thereof, the Trustee in bankruptcy will accept from Consolidated Liquidating Corporation as payment in full on purchase order No. H-402 the sum of \$1,370.72, and on purchase order No. H-135 the sum of \$4,722.75.

It is further stipulated that without admission of liability for the payment thereof, the net amount owing from Consolidated Liquidating Corporation on the open-book account of Brisbane & Company is the sum of Twenty Thousand Three Hundred and Ninety Dollars and Eighty-two Cents (\$20,390.82).

Dated: March 22, 1949.

GEORGE T. GOGGIN, as
Trustee in Bankruptcy.

By /s/ MARTIN GENDEL,
Of Counsel for Trustee.

JAMES M. CARTER,
United States Attorney.

By /s/ TOBIAS G. KLINGER,
Assistant U. S. Attorney.

CONSOLIDATED LIQUIDAT-
ING CORPORATION,

By WRIGHT & GARRETT,

By /s/ WALTER L. M. LORIMER,
Attorneys for Consolidated
Liquidating Corporation.

[Endorsed]: Filed March 28, 1949.

[Title of District Court and Cause.]

FINDINGS OF FACT, CONCLUSIONS OF
LAW AND ORDER GRANTING TRUS-
TEE'S PETITION AGAINST CONSOLI-
DATED LIQUIDATING CORPORATION
(FORMERLY CONSOLIDATED STEEL
CORPORATION)

George T. Goggin, as trustee in bankruptcy, heretofore filed a verified petition for an order to show cause re Consolidated Steel Corporation, said petition being dated on or about March 29, 1948; thereafter and on or about March 31, 1948, the Honorable Hugh L. Dickson, as Referee in Bankruptcy, issued an order to show cause upon said petition which was duly served upon the Consolidated Steel Corporation and a hearing was held thereon on the 22nd day of April, 1948, Wright & Garrett, Attorneys at Law, by Walter L. M. Lorimer, appearing as attorneys for Consolidated Liquidating Corporation (formerly known as Consolidated Steel Corporation), and Martin Gendel of counsel appearing as attorney for George T. Goggin as Trustee. At the same time the United States of America filed a petition for leave to intervene in said proceedings and said petition was granted and the United States allowed to appear as intervener, being represented by James M. Carter as United States Attorney, by Tobias G. Klinger of counsel; after the taking of testimony and the hearing of argument, the matter was duly submitted and the parties thereto there-

after entered into a written stipulation dated March 22, 1949.

Now, Therefore, based upon the aforesaid petitions, order to show cause, evidence, stipulations and argument, the undersigned Referee hereby makes the following findings of fact, conclusions of law, and order:

Findings of Fact

I.

That prior to the commencement of the within bankruptcy proceeding, Brisbane & Co., a partnership, bankrupt herein, entered into written purchase orders with the Consolidated Liquidating Corporation on No. H-402 and No. H-135.

II.

That subject to the possible requirement of the United States Maritime Commission of further processing, Consolidated Liquidating Corporation is obligated to pay the Trustee in Bankruptcy the sum of \$1370.72 on purchase order No. H-402, and the sum of \$4,722.75 on purchase order No. H-135.

III.

That the Consolidated Liquidating Corporation is indebted to Brisbane & Co. on an open book account in the sum of \$20,390.82.

IV.

That in connection with the creation of the indebtedness from Consolidated Liquidating Corporation to the bankrupt herein, Consolidated Liquid-

ating Corporation was a prime contractor on contracts with the United States Maritime Commission, and the bankrupt herein was a subcontractor.

V.

That on June 12, 1946, the United States Maritime Commission, and on May 19, 1947, the General Accounting Office, pursuant to the provisions of Title 41, U. S. C., Sec. 51, directed Consolidated Steel Corporation to withhold payment of said monies to Brisbane & Company.

VI.

That neither the United States of America nor the Consolidated Liquidating Corporation has any substantial bona fide adverse claim in and to the said moneys, and the said moneys are being held by Consolidated Liquidating Corporation on behalf of George T. Goggin as Trustee of Brisbane & Company, bankrupt herein.

Conclusions of Law

From the above findings of fact, the undersigned Referee does hereby make the following conclusions of law:

I.

That Consolidated Liquidating Corporation is obligated to forthwith pay to George T. Goggin, as trustee in the within bankruptcy estate, the sum of \$26,484.29.

II.

That neither Consolidated Liquidating Corpora-

tion nor the United States of America has any claim in and to said moneys.

Order

From the foregoing findings of fact and conclusions of law,

It Is Hereby Ordered that Consolidated Liquidating Corporation forthwith pay to George T. Goggin, as Trustee in the within bankruptcy proceeding, the sum of \$26,484.29.

Dated: April 12, 1949.

/s/ HUGH L. DICKSON,
Referee in Bankruptcy.

Approved as to Form:

JAMES H. CARTER,
United States Attorney,

By /s/ TOBIAS G. KLINGER,
Assistant United States Attorney, Attorneys for
the United States of America.

WRIGHT & GARRETT,
By /s/ WALTER L. M. LORIMER,
Attorneys for Consolidated Liquidating Corporation
(formerly known as Consolidated Steel
Corporation).

[Endorsed]: Filed April 8, 1949.

[Title of District Court and Cause.]

APPLICATION FOR EXTENSION OF TIME
WITHIN WHICH TO PETITION FOR RE-
VIEW OF ORDER

Comes now the United States of America and respectfully applies for an order extending the time to petition the United States District Court for a review of the order entered herein April 12, 1949, until and including ten days from and after April 22, 1949, namely, May 2, 1949.

Respectfully submitted,

JAMES M. CARTER,
United States Attorney,

CLYDE C. DOWNING,
Assistant United States
Attorney,

/s/ TOBIAS G. KLINGER,
Assistant United States
Attorney,
Attorneys for United
States.

It Is So Ordered.

Dated this 13th day of April, 1949.

/s/ HUGH L. DICKSON,
Referee.

[Endorsed]: Filed April 13, 1949.

gress of the United States within the powers delegated to it under the Constitution of the United States. Said Order of the Referee was and is erroneous in that until the said orders of the Maritime Commission and the General Accounting Office have been duly withdrawn, rescinded, terminated, amended, or modified, petitioner is under no liability to pay any sums to the bankrupt, or to his trustee.

III.

The Referee has ordered petitioner to pay the sum of \$6,093.47 in satisfaction of the bankrupt's claims on purchase orders No. H-402 and No. H-135. Since any amounts which petitioner is legally obligated to pay with respect to said claims are reimbursable to petitioner, by the Maritime Commission, upon payment thereof by petitioner, said claims have been referred to said Commission for its determination of the amounts which it will regard as reimbursable. The trustee has stipulated that he will accept said sum of \$6,093.47 on behalf of the bankrupt, in satisfaction of said claims. However, said sum does not represent a liquidated amount or an agreed-upon balance due under said purchase orders or on said claims; and neither petitioner nor the Maritime Commission has agreed that the bankrupt is entitled to receive said sum of \$6,093.47, or any part thereof, on either of said claims. Neither petitioner nor the United States has consented to the Referee's jurisdiction in determination of the amounts due on said purchase orders. Said Order was and is erroneous in that

the determination of the balances due on said purchase orders is not within the jurisdiction of the bankruptcy court without the consent of all parties to these proceedings, and without its having in its possession any money with regard to which such determination can apply.

IV.

Paragraph VI of Findings of Fact in the Referee's Order reads as follows:

“That neither the United States of America nor the Consolidated Liquidating Corporation has any substantial bona fide adverse claim in and to the said moneys, and the said moneys are being held by Consolidated Liquidating Corporation on behalf of George T. Goggin as Trustee of Brisbane & Company, bankrupt herein.”

Said finding of fact is erroneous in that it implies that a fund exists which petitioner is holding. There is nothing in the pleadings, evidence, or record before the Referee upon which to base a finding that such a fund exists, or that petitioner holds any fund or moneys on behalf of George T. Goggin as trustee for the bankrupt.

Said finding of fact is also erroneous in so far as it implies that the defenses raised by the United States and petitioner in the within proceedings are not substantial, bona fide, or adverse to the claims of trustee.

V.

Said order was and is erroneous in that, wholly apart from the orders of the Maritime Commission

and the General Accounting Office referred to above in Paragraph II hereof, nothing is, or was at the time of said order of the Referee owing from petitioner to the bankrupt herein, since the bankrupt herein conspired with an employee of petitioner to defraud petitioner, and as a result of said conspiracy petitioner has been defrauded by the bankrupt of the entire amount here in issue.

VI.

Said order was and is erroneous in that, without the consent of all the parties to these proceedings, and particularly without the consent of petitioner or of the United States, and not having in the possession of the Court any property or fund with regard to which such determination was made, the Referee improperly attempted to exercise a summary jurisdiction in determination of amounts allegedly owing from petitioner to the bankrupt, which can properly be determined only in a plenary judicial proceeding.

Wherefore, the Court erred in issuing such order. Your petitioner, feeling aggrieved because of such order, respectfully prays that the same be reviewed.

CONSOLIDATED LIQUIDAT-
ING CORPORATION,

By /s/ JOHN M. ROBINSON,
Its Vice President,
Petitioner.

WRIGHT & GARRETT,

By /s/ JOHN F. McKENNA, Jr.,
Attorneys for Petitioner.

[Endorsed]: Filed May 2, 1949.

[Title of District Court and Cause.]

PETITION FOR REVIEW OF
REFEREE'S ORDER

To the Hon. Hugh L. Dickson, Referee in Bankruptcy:

Your petitioner, United States of America, reserving all objections heretofore made with respect to the jurisdiction of this Court, respectfully shows:

I.

That on April 12, 1949, an Order, a copy of which is annexed hereto, was rendered pursuant to a petition for an order to show cause filed on or about March 29, 1948, and an order to show cause issued by this Court on or about March 31, 1948, upon said petition; that said petition and order named and were served only upon the Consolidated Steel Corporation; that a hearing was held thereon on April 22, 1948, at which the Consolidated Liquidating Corporation (formerly known as Consolidated Steel Corporation) appeared through their counsel; that the United States of America having a direct and substantial interest therein, filed a petition for leave to intervene in said proceedings,

which petition was granted; that the United States of America filed objections to the said proposed order to show cause, objecting, among other things, to the jurisdiction of this court; that said order of April 12, 1949, ordered Consolidated Liquidating Corporation to pay forthwith to George T. Goggin, as Trustee in the within bankruptcy proceeding, the sum of \$26,484.29.

II.

That said order of April 12, 1949, was and is erroneous in that it is in substance and in fact the culmination of an unconsented suit against the United States; no statute vests jurisdiction over cases against the United States in courts of bankruptcy;

III.

That said order was and is erroneous in that there was nothing in the pleadings, evidence, stipulations, arguments or record, before the Referee sufficient upon which to base a finding, that neither Consolidated Liquidating Corporation nor the United States of America has any substantial bona fide adverse claim in and to the said monies.

IV.

That said order was and is erroneous in that the United States of America has a substantial bona fide adverse claim to the monies in question, which funds are not in the possession of the bankruptcy court, and hence, the summary relief sought by the Trustee herein and granted by the order of

April 12, 1949, was and is beyond the jurisdiction of the bankruptcy court.

V.

That said order was and is erroneous in that the amount thus ordered to be paid to the Trustee in Bankruptcy is not a fund which is the property of Consolidated Liquidating Corporation, but is a part of the amount which is not to be paid by said corporation pursuant to orders of the United States Maritime Commission, dated June 12, 1946, and the General Accounting Office of the United States, dated May 19, 1947, validly issued under and in accordance with the provisions of Public Law 319, 79th Congress, Chapter 80, 2nd Session (41 U.S.C., 51), commonly referred to as the Anti-Kickback Act; that said Act is a statute duly enacted by Congress and approved by the President of the United States on March 8, 1946; that said Act is within the powers and authority delegated to the Congress of the United States under the Constitution of the United States; that said order of the United States Maritime Commission was issued prior to the institution of the within bankruptcy proceedings; that said orders of the United States Maritime Commission and the General Accounting Office have not been withdrawn, rescinded, terminated or amended in any manner.

VI.

That said order was and is erroneous in that there was nothing in the pleadings, evidence, stipulations, arguments or record, before the Referee

sufficient upon which to base a finding that Consolidated Liquidating Corporation holds or has ever held the sum of \$26,484.29, or any other sum on behalf of George T. Goggin, as Trustee of Brisbane & Company, bankrupt herein.

VII.

That said order was and is erroneous in that \$6093.47 of the amount said order directs Consolidated Liquidating Corporation to pay to the said Trustee in Bankruptcy is not a liquidated amount owing by Consolidated Liquidating Corporation to the bankrupt, but as said order of April 12, 1949, shows on its face, is merely a tentative balance arising from certain purchase orders and is subject to the possible requirement of the United States Maritime Commission of further processing to determine the precise balance, if any; the determination of such balance is within the jurisdiction of the United States Maritime Commission, and is not within the jurisdiction of this bankruptcy court; that the order made is therefore in conflict with the findings of fact upon which it is stated to be based.

Wherefore, the Court erred in issuing such order. Your petitioner, United States of America, feeling aggrieved because of such order, respectfully prays that the same be reviewed.

JAMES M. CARTER,
United States Attorney.

CLYDE C. DOWNING,
Assistant U. S. Attorney,
Chief, Civil Division.

TOBIAS G. KLINGER,
Assistant U. S. Attorney.

/s/ TOBIAS G. KLINGER,
Assistant U. S. Attorney, Attorneys for the United
States of America.

In the United States District Court, Southern Dis-
trict of California, Central Division

In Bankruptcy No. 44,467-B

In the matter of

BRISBANE & COMPANY, et al.,
Bankrupt.

FINDINGS OF FACT, CONCLUSIONS OF
LAW AND ORDER GRANTING TRUS-
TEE'S PETITION AGAINST CONSOLI-
DATED LIQUIDATING CORPORATION
(FORMERLY CONSOLIDATED STEEL
CORPORATION)

George T. Goggin, as trustee in bankruptcy, here-
tofore filed a verified petition for an order to show
cause re Consolidated Steel Corporation, said peti-
tion being dated on or about March 29, 1948; there-
after and on or about March 31, 1948, the Honor-
able Hugh L. Dickson, as Referee in Bankruptcy,
issued an order to show cause upon said petition

which was duly served upon the Consolidated Steel Corporation and a hearing was held thereon on the 22nd day of April, 1948, Wright & Garrett, Attorneys at Law, by Walter L. M. Lorimer, appearing as attorneys for Consolidated Liquidating Corporation (formerly known as Consolidated Steel Corporation), and Martin Gendel of counsel appearing as attorney for George T. Goggin as Trustee. At the same time the United States of America filed a petition for leave to intervene in said proceedings and said petition was granted and the United States allowed to appear as intervener, being represented by James M. Carter as United States Attorney, by Tobias G. Klinger of counsel; after the taking of testimony and the hearing of argument, the matter was duly submitted and the parties thereto thereafter entered into a written stipulation dated March 22, 1949.

Now, Therefore, based upon the aforesaid petitions, order to show cause, evidence, stipulations and argument, the undersigned Referee hereby makes the following findings of fact, conclusions of law, and order:

Findings of Fact

I.

That prior to the commencement of the within bankruptcy proceeding, Brisbane & Co., a partnership, bankrupt herein, entered into written purchase orders with the Consolidated Liquidating Corporation on No. H-402 and No. H-135.

II.

That subject to the possible requirement of the United States Maritime Commission of further processing, Consolidated Liquidating Corporation is obligated to pay the Trustee in Bankruptcy the sum of \$1370.72 on purchase order No. H-402, and the sum of \$4,722.75 on purchase order No. H-135.

III.

That the Consolidated Liquidating Corporation is indebted to Brisbane & Co. on an open book account in the sum of \$20,390.82.

IV.

That in connection with the creation of the indebtedness from Consolidated Liquidating Corporation to the bankrupt herein, Consolidated Liquidating Corporation was a prime contractor on contracts with the United States Maritime Commission, and the bankrupt herein was a subcontractor.

V.

That on June 12, 1946, the United States Maritime Commission, and on May 19, 1947, the General Accounting Office, pursuant to the provisions of Title 41, U.S.C., Sec. 51, directed Consolidated Steel Corporation to withhold payment of said monies to Brisbane & Company.

VI.

That neither the United States of America nor the Consolidated Liquidating Corporation has any substantial bona fide adverse claim in and to the

said moneys, and the said moneys are being held by Consolidated Liquidating Corporation on behalf of George T. Goggin as Trustee of Brisbane & Company, bankrupt herein.

Conclusions of Law

From the above findings of fact, the undersigned Referee does hereby make the following conclusions of law:

I.

That Consolidated Liquidating Corporation is obligated to forthwith pay to George T. Goggin, as trustee in the within bankruptcy estate, the sum of \$26,484.29.

II.

That neither Consolidated Liquidating Corporation nor the United States of America has any claim in and to said moneys.

Order

From the foregoing findings of fact and conclusions of law,

It Is Hereby Ordered that Consolidated Liquidating Corporation forthwith pay to George T. Goggin, as Trustee in the within bankruptcy proceeding, the sum of \$26,484.29.

Dated: April 12th, 1949.

HUGH L. DICKSON,
Referee in Bankruptcy.

Approved as to Form:

JAMES M. CARTER,
United States Attorney.

By /s/ TOBIAS G. KLINGER,
Special Assistant to the United States Attorney,
Attorneys for the United States of America.

WRIGHT & GARRETT,

By /s/ WALTER L. M. LORIMER,
Attorneys for Consolidated Liquidating Corpora-
tion (formerly known as Consolidated Steel
Corporation).

[Endorsed]: Filed May 2, 1949.

(Title of District Court and Cause.)

CERTIFICATE OF REFEREE ON REVIEW
RE APRIL 12, 1949, ORDER

To the Honorable Campbell E. Beaumont, Judge of
the United States District Court, for the South-
ern District of California, Central Division:

I, Hugh L. Dickson, Referee in Bankruptcy, to
whom the above-entitled matter has been referred,
Do Hereby Certify as follows:

That the controversy presented by this review
arose in the following manner:

1. That in the within bankruptcy proceedings,
the Trustee in Bankruptcy filed a petition for order
to show cause why the Consolidated Steel Corpora-

tion, now known as the Consolidated Liquidating Corporation, and hereinafter referred to as "Consolidated," should not be required to turn over to the Trustee herein certain moneys properly owing to the bankrupt estate by Consolidated. The nature of this controversy will hereinafter be more fully set forth.

2. This Referee issued an order requiring Consolidated to show cause, in accordance with the prayer of the Trustee's petition. Subsequently, petition was filed on behalf of the United States of America for leave to intervene and said petition was granted.

3. The said order to show cause regularly came on for hearing and this Referee made findings of fact and conclusions of law and an order to the effect that Consolidated should forthwith pay to the Trustee in the within bankruptcy proceedings, the sum of \$26,484.29.

4. Both the United States of America and Consolidated have filed petitions for review of this order.

The principal question presented by this review is whether this Referee, under all the facts as hereinafter set forth, properly ordered Consolidated to pay to the Trustee herein, said sum of \$26,484.29.

That prior to the commencement of the within bankruptcy proceedings, it appears that Brisbane & Company, a partnership, one of the bankrupts herein, was carrying on business with Consolidated; that a part of said business consisted of the per-

formance of services by said bankrupt as a subcontractor on contracts with Consolidated, wherein Consolidated was a prime contractor with the United States Maritime Commission; that prior to the commencement of the within bankruptcy proceedings, which occurred on or about the 8th day of July, 1946, the United States of America had instituted an investigation of alleged war frauds by Eugene C. Brisbane, personally, one of the bankrupts herein, in conspiracy with other persons; Brisbane & Company, as distinguished from Eugene C. Brisbane, is a limited partnership entity, which was also adjudicated a bankrupt in the within proceedings. Pursuant to an order of this Court duly made after notice to all persons involved in the within proceedings, and on or about the 22nd day of December, 1947, the Trustee in Bankruptcy was directed to segregate the assets of Eugene C. Brisbane as an individual, as against his individual liabilities, and the assets of Brisbane & Company, a limited partnership, as against its liabilities, and to administer the within estate on the basis that the assets of each entity should be first applied to the payment of obligations of the entity from which it originated, and only in the event of a surplus, which does not now appear to be probable, would the assets of one entity be used to pay the obligations of the other entity involved in the within proceedings.

The Trustee herein attempted to collect moneys owing to the within estate from Consolidated to Brisbane & Company, the limited partnership, covering the following items:

A. An undisputed account payable owing on a book account in the amount of \$20,390.82, and

B. Such amounts as might be owing to the within estate as the result of termination claims filed by Brisbane & Company with Consolidated prior to the commencement of bankruptcy,

which claims passed as a matter of law to the Trustee herein.

The termination claims (described in "B" above) arose from Purchase Orders Nos. H-402 and H-135, totalling gross claims in the sum of \$47,229.34. It appeared by testimony and stipulation that, to date, subject to possible further processing, Consolidated and the United States Maritime Commission had agreed to recognize said termination claims to the extent of \$1,370.72 on Purchase Order No. H-402, and \$4,722.75 on Purchase Order No. H-135. It further appears from the record that Consolidated is ready, willing and able to pay the moneys described hereinabove to the within estate, save and except that Consolidated received a letter from the United States Maritime Commission dated June 12, 1946, and a letter from the General Accounting Office dated May 19, 1947, directing Consolidated to withhold payment of the moneys to Brisbane & Company. Said letters are purportedly predicated upon the alleged violation by Eugene C. Brisbane, personally, of the provisions of Public Law 319, enacted by the 79th Congress, Volume 54 of the United States Codes Annotated, page 97, and further described in Title 41, U.S.C. §51, commonly known as the "Anti-Kickback Act."

In determining the merits of this matter, the undersigned Referee finds that there was no bona fide objection to the jurisdiction of this Court by the United States of America, and that the United States of America specifically petitioned for leave to intervene in these proceedings by its petition dated April 22, 1948; that it joined issues with the Trustee in Bankruptcy on the merits of the petition and order to show cause as against Consolidated and participated generally in the conduct of the hearing on the Order to show cause against Consolidated, and by this course of conduct waived any objection to which it might have otherwise have been entitled or that it might have intended to assert against the jurisdiction of the Bankruptcy Court.

It does not appear to the undersigned Referee that the provisions of the Anti-Kickback Act have been sufficiently complied with by the United States of America to entitle the Bankruptcy Court to determine that the United States of America has any adverse claim to the moneys in question; it further appears that the statute itself does not provide any court or forum wherein creditors of the sub-contractor involved could present their claims in order to determine whether or not the Government was validly acting pursuant to the provisions of the Anti-Kickback Act, and other related questions. In other words, the statute itself does not appear to be sufficiently implemented to meet the constitutional provisions involving due process of law. On the other hand, it would appear that the Bankruptcy Court, in the absence of any specific

designation in the Anti-Kickback Act of any other specific forum, is a proper and adequate court to determine the rights of any parties where bankruptcy and creditors' interests intervene in the dealings between a prime contractor and a subcontractor.

A governing factual situation in the instant case is that the entity contracting with Consolidated was a limited partnership, whereas the acts complained of by the United States or America were directed against an individual; pursuant to the order of segregation hereinabove referred to, the withhold direction complaining of Brisbane's individual wrongful acts, under the Anti-Kickback Act, would not be effective as against moneys owing from Consolidated to the bankrupt partnership. The rights of innocent partnership creditors are admittedly not tainted with any war fraud activities and should not be jeopardized by any possible arbitrary action on the part of individual Government representatives reflected by the letters above referred to, as dated June 12, 1946, and May 19, 1947, without the right of such innocent persons to be heard in a court of proper jurisdiction, such as the within bankruptcy court. The party holding the moneys involved herein is Consolidated, and it makes no claim of ownership to the funds; the United States of America does not have possession of the moneys involved and its claims do not appear to be meritorious, bona fide or sufficiently adverse, under law, in the light of the admitted facts, so that it could be considered that the United States of America had

even constructive possession, adversely of the mon-
eys in question.

This Referee fully recognizes the problem of possibly appearing to challenge the constitutionality of an enactment of Congress, but such a purported challenge does not appear to be necessary under the facts described above, although it would appear that the statute itself does not comply with the recognized requirements of due process of law as far as the rights of third parties are concerned. It therefore appears that both fairness, as well as good law, require the making of the order from which review is sought herein.

In compliance with provisions of Section 39(a) (8), I attach to this Certifiante the following:

1. Copy of the order of adjudication of Eugene Brisbane, dated August 15, 1946. (By reference)
2. Copy of the order of adjudication of Brisbane & Company, a limited partnership, dated January 24, 1947. (By reference)
3. The petition of George T. Goggin, as trustee, for an order to show cause against Consolidated Steel Corporation, which petition is dated the 29th day of March, 1948.
4. The order to show cause against Consolidated Steel Corporation issued by this Court on the 31st day of March, 1948.
5. Petition on behalf of the United States for leave to intervene.

6. Objections of the United States to order to show cause, filed April 22, 1948.

7. Stipulation filed March 28, 1949.

8. Findings of Fact and Conclusions of Law and Order granting Trustee's petition, signed by the Referee in Bankruptcy on April 12, 1949.

~~9. Transcript of hearing on the order to show cause held April 22, 1948.~~

10. Copy of order of segregation dated December 22, 1947.

11. Application of United States of America for order extending time for review, and order thereon.

12. Application for extension of time within which to petition for review by Consolidated Liquidating Corporation, and order thereon.

13. Notice of change of name of Consolidated Steel Corporation to Consolidated Liquidating Corporation.

14. Petition for review of the Referee's order filed May 2, 1949, by the United States of America.

15. Petition for review of Referee's order filed May 2, 1949, by Consolidated Liquidating Corporation.

Dated: June 23, 1949.

Respectfully submitted,

/s/ HUGH L. DICKSON,

Referee in Bankruptcy.

[Endorsed]: Filed June 30, 1949.

[Title of District Court and Cause.]

REFEREE'S SUPPLEMENTAL CERTIFICATE ON REVIEW RE APRIL 12, 1949, ORDER

To the Honorable Campbell E. Beaumont, Judge of the United States District Court, for the Southern District of California, Central Division:

I, Hugh L. Dickson, Referee in Bankruptcy, to whom the above-entitled matter has been referred, Do Hereby Certify supplementally herewith, and attach hereto, the following:

1. Transcript of hearing on the Order to Show Cause held April 22, 1948.
2. Memorandum of Points and Authorities of Consolidated Steel Corporation filed April 22, 1948.

Dated: July 14th, 1949.

Respectfully submitted,

/s/ HUGH L. DICKSON,
Referee in Bankruptcy.

[Endorsed]: Filed July 14, 1949.

[Title of District Court and Cause.]

REFEREE'S SECOND SUPPLEMENTAL CERTIFICATE ON REVIEW RE APRIL 12, 1949, ORDER

To the Honorable Campbell E. Beaumont, Judge of the United States District Court, for the Southern District of California, Central Division:

I, Hugh L. Dickson, Referee in Bankruptcy, to whom the above-entitled matter has been referred, Do Hereby Certify supplementally herewith, and attach hereto, the following:

1. Photostatic copy of letter from United States Maritime Commission to Consolidated Steel Corporation dated June 12, 1946, (Trustee's Exhibit No. 1, filed April 22, 1948.)

2. Photostatic copy of Letter from General Accounting Office to Consolidated Steel Corporation dated May 19, 1947. (Trustee's Exhibit No. 2, filed April 22, 1948.)

Dated: July 17, 1949.

Respectfully submitted,

/s/ HUGH L. DICKSON,

Referee in Bankruptcy.

TRUSTEE'S EXHIBIT No. 1

United States Maritime Commission
Washington

Office of the Chairman

June 12, 1946.

Consolidated Steel Corporation
Box 6880
East Los Angeles Branch
Los Angeles, California

Gentlemen:

Further reference is made to your letter of April 19, 1946, advising the Maritime Commission of the claim in the amount of \$21,857.04 being asserted against Consolidated Steel Corporation by the assignee of Brisbane & Company, one of the subcontractors under your contract with the Commission.

Upon receipt of your letter, this office requested the views of the Department of Justice with respect thereto, and in reply was advised by letter dated June 5, 1946, that the Federal Bureau of Investigation reports establish that Eugene Charles Brisbane, owner of Brisbane & Company, had paid more than \$50,000 to one of the employees of your Company in violation of Public Law 319—79th Congress.

Pursuant to the specific provisions of said statute, you are directed to withhold, in behalf of the Government, the entire amount of the claim in question until further notice. Should any legal proceedings

be instituted by said claimant, it is requested that you advise this office thereof immediately.

Sincerely yours,

/s/ W. W. SMITH,
Chairman.

Filed April 22, 1948.

TRUSTEE'S EXHIBIT No. 2

General Accounting Office

Audit Division

Room 603, 3636 Beverly Blvd.
Los Angeles 4, California.
May 19, 1947.

Consolidated Steel Corporation
P. O. Box 6880, East Los Angeles Branch
Los Angeles, California

Gentlemen:

Reference is made to the sentencing on October 28, 1946, of Robert William McBurney, former purchasing agent for Consolidated Steel Corporation, Shipbuilding Division, Wilmington, California, following his conviction on September 20, 1946, on charges brought by the United States in the District Court of the United States for the Southern District of California, Central Division, in Criminal No. 18252, under Title 18, United States Code, Section 88, of conspiracy with Eugene Charles Brisbane and others to defraud the United States through collusive bidding on purchase orders, the cost of which was reimbursed by the Gov-

ernment under cost-reimbursable contracts MCc-1520, MCc-1790, MCc-1791, MCc-1792, MCc-2235, MCc-7713, MCc-7714, MCc-8524, MCc-15951, MCc-26055 and DA-MCc-857 between your corporation and the United States Maritime Commission.

It was disclosed through testimony in open court by both Brisbane and McBurney that the latter received through Brisbane a total of between \$60,000 and \$67,000 in kickbacks from the following subcontractors of Consolidated Steel Corporation named in the indictment:

Defendant	Company
Eugene Charles Brisbane	Brisbane & Company
Anson Browne	B & L Machine Tool & Die
Bruce P. Stone	} Wire & Metal Manufacturing Company
Lawrence L. Stone	
Robert N. Simpson	} Simpson Steel Company
Arthur F. Simpson, Jr.	
	Commercial Piping & Engineering Co.
Roland H. Wilcox	Wilmington Welding & Boiler Works

It is further shown, in the income tax returns of both Brisbane and McBurney, that the following subcontractors paid a total of \$128,499.38 to Brisbane of which McBurney received \$65,308.65.

B & L Machine Tool & Die.....	\$ 44,930.79
Davenport Manufacturing Co.....	31,795.66
Commercial Piping & Engineering Co...	5,339.00
Wire & Metal Manufacturing Co.....	46,433.93
	<hr/>
Total	\$128,499.38

In this connection, it is reported by Mr. F. J. Knoeppel, vice president of your corporation in letter dated November 19, 1946 to the United States Maritime Commission that there had been withheld from subcontractors named in the above indictment the sum of \$22,694.36, as follows:

Brisbane & Company.....	\$20,390.82
Simpson Steel Company.....	353.69
Wilmington Welding & Boiler Works...	114.81
Wire & Metal Manufacturing Company..	1,835.04
	\$22,694.36

Accordingly, in view of the Anti-Kickback Act of March 8, 1946, 60 Stat. 37, providing that the amount of such kickbacks shall be recoverable on behalf of the United States by set-off of moneys otherwise owing to the subcontractor by a prime contractor, payment of the sum of \$22,694.36, or of any additional amounts owing to the above-listed vendors, should continue to be withheld pending further instructions.

/s/ C. M. BAILEY,
Zone Senior Chief Cost
Auditor.

Filed April 22, 1948.

[Endorsed]: Filed July 19, 1949.

In the United States District Court, Southern
District of California, Central Division

In Bankruptcy No. 44,467-B

In the Matter of

EUGENE C. BRISBANE, Individually, and
BRISBANE & COMPANY, a limited partner-
ship, etc.,

Bankrupts.

ORDER RE MOTION TO SUSPEND EN-
FORCEMENT OF REFEREE'S ORDER

This cause came on regularly to be heard before the above entitled Court at 10 a.m. on December 19, 1949, upon the motion of petitioner on review, Consolidated Liquidating Corporation, and upon the affidavit in support thereof. Said motion was argued by Walter L. M. Lorimer of Wright & Garrett, attorneys for petitioner, and by Bernard Shapiro for Martin Gendel of counsel for George T. Goggin, Trustee in Bankruptcy of the within bankrupt estate, and after hearing said counsel for the respective parties, the motion was duly submitted to the Court for decision.

This Court finds that the rights of all parties in interest will be protected by the suspension of the order of the Referee herein dated April 12, 1949, directing petitioner, Consolidated Liquidating Corporation, to pay to the Trustee in Bankruptcy herein, George T. Goggin, the sum of \$26,484.29, upon the condition that said petitioner, Consoli-

dated Liquidating Corporation, shall forthwith deliver to the Clerk of this court the sum of \$26,484.29 in cash, or in the form of a proper and sufficient surety bond, or in the form of a cashier's check or of a certified check.

It Is Hereby Ordered, Adjudged and Decreed that petitioner, Consolidated Liquidating Corporation's Motion To Suspend Enforcement of Referee's Order be, and it hereby is granted upon the condition that said petitioner forthwith deliver to the Clerk of this court the sum of \$26,484.29 in cash, or in the form of a proper and sufficient surety bond, or in the form of a cashier's check or of a certified check.

Dated: This 22nd day of December, 1949.

/s/ PEIRSON M. HALL,
United States District Judge.

Approved as to form:

WRIGHT & GARRETT,

By /s/ WALTER L. M. LORIMER,
Attorneys for Petitioner on Review, Consolidated
Liquidating Corporation.

Judgment entered Dec. 27, 1949.

[Endorsed]: Filed December 22, 1949.

In the United States District Court, Southern
District of California, Central Division

In Bankruptcy No. 44,467-B

In the Matter of

BRISBANE & COMPANY, a limited partnership,
Bankrupt,

EUGENE C. BRISBANE, individually,
Bankrupt.

ORDER ON REVIEW OF REFEREE'S ORDER
DATED APRIL 12, 1949, DIRECTING CON-
SOLIDATED LIQUIDATING CORPORA-
TION TO PAY TO TRUSTEE \$26,484.29

Cline v. Kaplan, 323 U. S. 97 (1944) appears to me to be controlling here. The respondent in that case had actual possession of the property involved in the summary turnover order, and was, itself, making an adverse claim. But the turning point of the decision did not depend upon those two things. It turned upon the question as to whether or not consent had been given to the summary proceeding and whether or not the adverse claim was bona fide and not merely colorable or frivolous.

Admittedly, the Bankruptcy Court in this instance does not have actual possession of the money. It cannot have constructive possession if the claim is unliquidated. A claim is unliquidated if the one having actual possession contests it. Barkschat v. Chichester (CCA9) 102 Fed. (2) 975; In re Eakin (CCA2) 154 Fed. (2) 717, 719. Moreover, the find-

ings of the Referee are barren of any finding as to actual or constructive possession; they merely find that Consolidated is indebted to the Bankrupt in the specified sum.

Under the provisions of the Anti-Kickback Act of March 6, 1946 (41 USCA 51) the U. S. Maritime Commission notified Consolidated to withhold any moneys claimed to be due to Brisbane & Company. This notice was sent on June 12th, 1946, almost one month prior to the filing of the petition under Chapter XI in the within matter. Adjudication as a bankrupt did not occur until August 15th, 1946. Whatever the status of the Bankrupt's claim against Consolidated prior to June 12th, 1946, it thereupon became an unliquidated claim, as Consolidated was then in a position of possibly being obligated to the United States instead of to the Bankrupt. This position arose by operation of law, viz., the Anti-Kickback Act, and not through any voluntary act of Consolidated. The claim of Consolidated was therefore "adverse," in that it did not owe the bankrupt the claimed money, if the United States were entitled to it. Moreover, it cannot be said that the claim against Consolidated was liquidated, in view of the provisions of the Termination of War Contracts Act (41 USCA 101) under which final approval of the Maritime Commission of the amounts due Brisbane would have to be had before such claim could be considered as liquidated. And such claim of Consolidated being based upon statutes of the United States, under which the United States were making a claim upon Consolidated, was a bona

fide claim, and not spurious, colorable, or frivolous so far as Consolidated is concerned.

The claim of the United States to the money, being made under the provision of the same Statutes, and other applicable laws, is likewise bona fide and not spurious, colorable or frivolous.

In view of the foregoing, both Consolidated and the United States are entitled to have their rights adjudicated in suits of ordinary character with the rights and remedies incident thereto, unless they have both consented to the summary jurisdiction of the Referee. The United States saved consent by timely objection. The record is not here which shows Consolidated's response, but it is indicated in the briefs that Consolidated also objected to the jurisdiction and did not consent. But whether the latter is true or not, the United States, being the adverse claimant to the ultimate right to the money, and having made such objection, removes the whole matter from the summary jurisdiction of the Bankruptcy Court.

The order of the Referee is reversed.

Los Angeles, California, May 25th, 1950.

/s/ PEIRSON M. HALL,

United States District Judge.

Judgment entered May 26, 1950.

[Endorsed]: Filed May 25, 1950.

[Title of District Court and Cause.]

NOTICE OF APPEAL

To: The Clerk of the Above-Entitled Court:

Notice Is Hereby Given that George T. Goggin, as Trustee of the above-named bankrupt estate, hereby appeals to the United States Court of Appeals for the 9th Circuit from the Order On Review of Referee's Order Dated April 12, 1949, Directing Consolidated Liquidating Corporation to Pay to Trustee \$26,484.29 entered in this Court on May 25, 1950, Judgment Book No. 66, Page 96, and from the holding thereof.

Dated: This 13th day of June, 1950.

/s/ MARTIN GENDEL,

Of Counsel for George T. Goggin, Trustee and Appellant.

Affidavit of Service by Mail attached.

[Endorsed]: Filed June 14, 1950.

[Title of District Court and Cause.]

APPELLANT'S DESIGNATION OF RECORD
ON APPEAL

To: The Clerk of the Above-Entitled Court:

George T. Goggin, Trustee of the above-named bankrupt estate, through his counsel, hereby designates the entire record before the District Court,

including all papers, pleadings and evidence certified to the District Court by the Honorable Hugh L. Dickson, Referee in Bankruptcy, with his Certificate on Review, and his two supplemental Certificates on Review, from his Order of April 12, 1949, directing Consolidated Liquidating Corporation to pay to the Trustee \$26,484.29.

Pursuant to the provisions of 75(o) of the Rules of Civil Procedure for the United States District Court, and pursuant to Rule 11 of the Rules of the United States Court of Appeals for the 9th Circuit, as amended, request is hereby made that the Clerk of the above-entitled Court transmit all of the original papers in the file dealing with the action or the proceeding in which the appeal has been taken, including the Notice of Appeal and this designation.

Dated: This 13th day of June, 1950.

/s/ MARTIN GENDEL,

Of Counsel for Appellant, George T. Goggin,
Trustee.

Affidavit of Service by Mail attached.

[Endorsed]: Filed June 16, 1950.

In the District Court of the United States, Southern
District of California, Central Division

No. 44,467-B

In the Matter of

EUGENE C. BRISBANE, dba BRISBANE & CO.,
Bankrupt.

HEARING ON ORDER TO SHOW CAUSE ON
CONSOLIDATED STEEL CORPORATION

The following is a stenographic transcript of the proceedings in the above-entitled cause, which came on for hearing before the Honorable Hugh L. Dickson, United States Referee in Bankruptcy, at his courtroom, 343 Federal Building, Los Angeles, California, at the hour of 10:00 a.m., April 22, 1948.

Appearances:

MARTIN GENDEL, ESQ.,

Appearing on behalf of the Trustee, George
T. Goggin.

T. G. KLINGER,

Special Assistant U. S. Attorney for United
States of America.

WRIGHT AND GARRETT, By

WALTER L. M. LORIMER, ESQ.,

Appearing on behalf of Consolidated Steel
Corporation.

The Referee: We now have the matter of Brisbane.

Mr. Gendel: That is ready, your Honor.

Mr. Klinger: Your Honor, on behalf of the United States, I present to the Court a petition for leave on behalf of the United States to intervene in this present proceeding before your Honor.

The Referee: May I see the petition? On what is it based?

Mr. Klinger: We have a direct and substantial interest in the outcome of the proceedings, and in the payment of the moneys, if such payment is ordered, because as the petition states, any sums which Consolidated Steel will be required to pay, will constitute items of claimed reimbursement from the United States under the prime contract.

The Referee: All right, sir, I don't see any reason why you shouldn't intervene.

Mr. Klinger: Thank you, your Honor. I don't think there is any objection. In fact, I believe that the proceedings to this point have contemplated such an intervention.

The Referee: Let's proceed.

Mr. Lorimer: Your Honor, I have prepared a memorandum of points and authorities which we are going to argue at this hearing.

Mr. Gendel: I think it might be well, Mr. Lorimer, to reserve that memorandum because you should first take our evidence. We don't know whether your memorandum is going to come in it because it contains statements of facts and we may have a method of setting up machinery to possibly

take care of the termination claims Mr. Klinger and I discussed. We might take all the testimony that Mr. Crawford can present this morning and we might have to continue it for that other phase. I think we should have our evidence in before we burden the Court with any memorandum of points and authorities.

The Referee: I would much prefer to know what the testimony is before I guess at what the law is applicable in this case here, where there seems to be a conjecture. Let's hear the evidence.

Mr. Gendel: Perhaps we might introduce it through Mr. Crawford.

ROBERT M. CRAWFORD

called as a witness on behalf of the Trustee, having been first duly sworn, was examined and testified as follows:

Direct Examination

By Mr. Gendel:

Q. What is your true name?

A. Robert M. Crawford.

Q. And by whom are you employed, Mr. Crawford?

A. Consolidated Steel Corporation.

Q. What is your capacity?

A. I am manager of the Accounting Department of the Shipbuilding Division.

Q. You have heretofore testified in this case, have you not?

A. I have, yes.

Q. Around June 7, 1947, is that right?

A. I imagine that is possibly about the right date; I don't remember exactly.

(Testimony of Robert M. Crawford.)

Q. All right. Now, Mr. Crawford, you have under your direction and control the ledger sheets and the accounting figures of Consolidated Steel Corporation, Shipbuilding Division, isn't that right?

A. That is right.

Q. And your company has an account with Brisbane and Company, isn't that correct?

A. Yes, sir, that is correct.

Q. And that account is broken up into several phases, isn't that correct, one is an open book account?

A. That is right.

Q. And the other are two termination contract claims, isn't that correct?

A. That is correct.

Q. And isn't it true that as far as the open book account is concerned, after you have taken credit for such offsets that you have heretofore urged against Brisbane and Company, that as far as the records are concerned, Consolidated Steel Corporation, the Shipbuilding Division thereof owes Brisbane and Company \$20,390.82?

A. That is correct.

The Referee: Is that on the open account?

The Witness: That is on the open book account, \$20,390.82.

Mr. Gendel: That is the amount, your Honor, set forth in Paragraph 2 of the Petition for the Order to Show Cause.

The Referee: I see.

Q. (By Mr. Gendel): Now, I referred to contract termination claims and those are under two

(Testimony of Robert M. Crawford.)

purchase orders, are they not, purchase Order No. H-402—— A. That is right.

Q. ——upon which the Bankrupt entity, Brisbane and Company, had claimed \$2,212.31, and the other is purchase Order No. H-135, isn't that correct—— A. That is right.

Q. ——upon which Brisbane and Company have claimed \$47,229.44, is that correct?

A. Yes, those amounts are correct.

Q. Those are their claims, anyway?

A. That is right.

Q. Now, your office and representatives of the United States Maritime Commission have audited those termination claims, have they not?

A. Yes, sir, that is right.

Q. And as far as your audits have gone for the record, is it true that on purchase Order No. H-402, on which Brisbane and Company claim \$2,212.31, that amount has been audited for approval in the sum of \$1,112.44? A. That is right.

Q. And is it true that on purchase Order No. H-135, on which Brisbane and Company claim \$47,229.44, that it has been audited in the amount of \$10,534.05? A. That is correct, also.

Q. So that the total amounts audited for approval to date on the termination claims by Consolidated Steel Corporation and the United States Maritime Commission, are \$11,646.49, is that correct?

A. That is correct, yes, sir.

Q. All right. Now, demand has been made upon Consolidated Steel Corporation for the payment of

(Testimony of Robert M. Crawford.)

the \$20,390.82, through the Trustee in bankruptcy, of Brisbane and Company, has it not?

A. Yes.

Q. And has that amount been paid?

A. It has not.

Q. Now, demand has been made upon Consolidated Steel Corporation by Mr. Goggin, as Trustee of Brisbane and Company, for the termination payments, isn't that correct? A. Yes.

Q. And has that amount been paid?

A. It has not been paid.

Mr. Gendel: Now, although actually, Your Honor, I presume the moving party could stop us as of this point, I think Your Honor should get the whole picture from this witness so far as he knows. I take the burden of going ahead with this, anyway.

Q. Mr. Crawford, your company has received certain written communications from the United States of America in connection with the payment of these claims, has it not?

A. That is correct, yes, sir.

Q. And will you take from your file those communications which you have received from the Government concerning the claims?

(Witness showing two documents to counsel.)

Q. (By Mr. Gendel): Now, you have handed to me two letters bound together, one purporting to be on the stationery of General Accounting Office, Audit Division, bearing date of May 19, 1947, di-

(Testimony of Robert M. Crawford.)

rected to Consolidated Steel Corporation, and the other purporting to be on the stationery of the United States Maritime Commission, Washington, directed to Consolidated Steel Corporation, bearing date of June 12, 1946. To your knowledge, did your company, Consolidated Steel Corporation, receive these two communications?

A. Yes, we did, and these are not all. There is some prior to this.

Q. Well, you have received other similar letters?

A. Yes, the first notice we received, I believe, was in October of 1945, from the Maritime Commission.

Mr. Gendel: Do you have such a letter, Mr. Lorimer?

Mr. Lorimer: I don't think I have it here, but that was before the Anti-Kickback Act.

Mr. Gendel: That didn't have anything to do with the whole proceedings, Mr. Lorimer.

Mr. Lorimer: No.

Q. (By Mr. Gendel): Subsequent to March, 1946, when the Anti-Kickback Act was enacted by Congress, the only communications you received from the United States, with reference thereto, were the two letters that we have identified, the letter of June, 1946, and the letter of May, 1947?

A. That is correct.

Mr. Gendel: They are rather lengthy, Your Honor. I think perhaps they should be introduced

(Testimony of Robert M. Crawford.)

in evidence and Your Honor should have a chance to read them.

The Referee: Any objection, Mr. Crawford?

The Witness: No objection.

The Referee: For any reason he should want them back, you can substitute a photostatic copy of them into the record.

Mr. Gendel: We will be glad to cooperate.

The Witness: We may need them for our records eventually.

The Referee: We will have them photostated and sent back to you.

Mr. Lorimer: Fine. Send them back to the Wright and Garrett offices, who are the attorneys for Consolidated Steel Corporation.

Mr. Gendel: Then this will be Trustee's Petition No. 1.

Mr. Lorimer: To save you the trouble of photostating them, I already have them here.

Mr. Gendel: All right. Why don't we introduce them then. Perhaps for the clarification of the record, let's introduce these photostats separately because they might be of separate information. We ask that the first photostats to be introduced be that of the United States Maritime Commission, dated June 12, 1946, to the Consolidated Steel Corporation.

The Referee: All right, that will be Trustee's No. 1.

Mr. Gendel: And as Trustee's No. 2, Your Honor, we ask the introduction of the communication from

(Testimony of Robert M. Crawford.)
the General Accounting Office, dated May 19, 1947,
to the Consolidated Steel Corporation.

Mr. Lorimer: No objections.

Mr. Klinger: No objections.

The Referee: It will be received in evidence as
Trustee's Exhibit No. 2.

(The documents were received in evidence as
Trustee's Exhibits Nos. 1 and 2, respectively.)

Q. (By Mr. Gendel): The gist of those two
communications, Mr. Crawford, is that the Govern-
ment is interested in the Anti-Kickback Act viola-
tions and therefore instructs Consolidated Steel
Corporation not to pay the money, is that correct?

A. Yes, that is correct. That is what it is all
about.

Q. And as far as you know, those two letters
and what is contained in the letters, are the reasons
that Consolidated Steel Corporation have not paid
the money, is that correct?

A. That is right.

Q. As far as the open book account is concerned,
as I understand, there is no question at all con-
cerning the mathematics of that. If the money is
to be paid, that is the correct amount?

A. That is correct. There is no argument about
that.

Q. Now, as far as the termination claims are
concerned, there is an argument about the total
amounts claimed by Brisbane and Company, but
that as far as Consolidated Steel Corporation is

(Testimony of Robert M. Crawford.)

concerned, and the prime audit made by the United States Maritime Commission's representative, those two termination claims are subject to approval in the sum of \$11,646.49, is that correct?

A. That is correct.

Mr. Gendel: That is all, Mr. Crawford.

Cross-Examination

By Mr. Lorimer:

Q. First, as to the termination claims. Mr. Crawford, you stated that as far as Consolidated Steel Corporation is concerned, the audit of \$11,646.49 is correct. As far as the Maritime Commission is concerned, is it necessarily a correct figure?

A. Not necessarily so. I might perhaps explain that just a trifle.

The Referee: All right.

The Witness: When the sub-contractor submits his claim for costs on a terminated portion of the contract, generally he tries to include in there everything that he thinks he can get away with.

The Referee: You mean that applies to all contractors?

The Witness: That applies to pretty nearly all of them that we found.

The Referee: Well, then, honesty is missing among contractors.

The Witness: It seems to be. It has always been our procedure then to audit the contractors' books and to determine just what portion of material or

(Testimony of Robert M. Crawford.)

labor and overhead and so forth has been consumed upon the portion of the terminated contract, which he has completed as of the date of the termination. Under the contract termination Act certain specific overhead allowances and profit allowances and interest allowances and things of that sort are provided for. So, in making an analysis of the contractors' settlement claims which he submits, our auditors will go through and make a complete audit and determine what in their opinion is a proper amount to be reimbursed to that sub-contractor for his termination claim.

The Referee: Let me ask you right now. Were these contracts on a cost plus basis?

The Witness: No, they were fixed amounts, definite amounts.

After we have determined what we think is a reasonable and fair amount to offer the contractor as a settlement claim, all we can do with that is to submit it to the contract termination settlement section of the Maritime Commission with our recommendation that that probably is correct. Now, the settlement section of the Maritime Commission, they may take some further exceptions to it for various reasons, real or imaginary, and they may take some various exceptions.

Q. (By Mr. Gendel): At that point, isn't it true in this particular case, that Mr. O'Neill came here from the United States Maritime Commission at Washington or back East, from the head office, and that your office and Mr. O'Neill and the local

(Testimony of Robert M. Crawford.)

representatives of the United States Maritime Commission did complete your audit, as far as the audit itself is concerned?

A. I think that is probably correct, although I wouldn't be too sure about that, because at that time all of these matters were handled by a contract termination decision of the Consolidated Steel Corporation of which I was not a part, and I wasn't in on any of that detail work or negotiations there. So I am not sure whether Mr. O'Neill agreed to these figures or not. However, even though Mr. O'Neill might have, when it gets to a contract settlement section in Washington, they might still overrule Mr. O'Neill.

Q. In other words, if the Government has permitted this matter to go through in the ordinary course of termination procedure, the figures that Brisbane and Company had submitted and the figures that your company and the local auditor of the United States Maritime Commission, would all be submitted to the home office and they would process those figures and either approve them or maybe raise them or lower them?

A. That is right.

Q. But that hasn't been completed because of these two letters?

A. That has not been done as yet.

Mr. Lorimer: I don't know whether it is because of the two letters.

Mr. Gendel: Apparently so.

The Witness: I don't know the reason why it

(Testimony of Robert M. Crawford.)

has not been done, but the contract settlement division of the Maritime Commission have not given us any approval on the termination claims.

Mr. Gendel: Well, I might state for the record, Your Honor, that I believe Mr. Klinger is familiar with the letter which we received from the contract termination division saying that they could not complete the processing of these termination claims because of the contents of the communications, Trustee's Exhibits 1 and 2, and that is a hold order by the Department of Justice, and until that hold order was removed, they wouldn't complete their processing.

Mr. Klinger: I don't remember.

Mr. Gendel: I think I gave you a copy of that letter, Mr. Klinger.

Mr. Klinger: I don't know. That is one of the things that we are going to check on.

Mr. Gendel: I might state that that is the phase we discussed as being possibly subject to an ascertainment by correspondence so that the home office could complete its analysis and if we can reach a mutually agreeable figure, that would eliminate any question of mathematics and facts entirely; we would have then the question of law before you, Your Honor.

Q. (By Mr. Lorimer): Mr. Crawford, to your knowledge, has the Maritime Commission ever approved a claim in a lower amount than the amount set aside by Consolidated Steel to the Maritime Commission? A. Yes, they have.

(Testimony of Robert M. Crawford.)

Q. Even after Consolidated Steel has audited the claim of the other?

A. All Consolidated Steel could do would be to make an audit and determine what we thought was reasonable and submit that to the contract settlement section for their approval. The contract settlement section sometimes applies various regulations that are contained in the contract termination Act, in a different manner than we might interpret them, and they might cut something down and they might cut some overhead allowances down or they might cut a profit down or they might eliminate interest or any number of things where they might either increase or decrease the amount of the claim, generally decreasing it, however.

Q. What you just said doesn't apply to either of these termination claims involved here, but it could conceivably?

A. So far as Consolidated Steel is concerned, we have no knowledge of what the contract termination settlement might do with these claims. We have never been apprised on that.

Q. Going back to both the open book account and the termination claim, you stated earlier in your testimony that as far as Consolidated Steel Company records are concerned, the open book account shows that Consolidated owed Brisbane \$20,390.82, and that Consolidated audit for the purchase orders was \$11,646.49. That is as far as the records are concerned. Would Consolidated have any other defense against the payment of this money to Bris-

(Testimony of Robert M. Crawford.)

bane other than what shows on the records. In other words, apart from the Kickback Order of the United States, would there be a conceivable defense of fraud? A. Well——

Mr. Gendel: That is asking a witness for a conclusion of law.

The Witness: I am an accountant and not an attorney.

The Referee: He says he is not an attorney, so he cannot answer it as he is not a lawyer.

Mr. Klinger: May I clarify the record on that one point. Then it is not your testimony, is it, that the only reason the money has not been paid is the withholding order? You don't know if that is the only reason or whether there are additional reasons why this money has not been paid to Brisbane and Company?

The Witness: I only know that, as an employee, you might say, of Consolidated Steel, who would draw a check to Brisbane, I would say that in this particular instance I would not draw such a check in the face of these withhold orders. Whether there would be any other reason why they shouldn't be drawn, I wouldn't know. But that is sufficient for me not to pay.

The Referee: The only thing that stopped your company from paying this was the withhold orders?

Mr. Lorimer: He has testified that the withhold orders would stop him, but that there might be something in addition to that.

The Referee: He says his auditor approved it

(Testimony of Robert M. Crawford.)

and recommended it for payment. Why would he do that if he had any other reason to refuse payment?

The Witness: So far as the termination claims are concerned, Your Honor, even though we would recommend it to the Maritime Commission, a certain amount, we still could not pay that until we had first secured the approval of the Commission, and the contract settlement section to pay.

The Referee: But so far as your investigation here is concerned, the claim is proper; it is so stated.

The Witness: Yes, that is correct, Your Honor.

Mr. Klinger: You are speaking from the point of view of the records.

The Witness: That is right.

Mr. Klinger: That are in your custody and under your supervision.

The Witness: That is right.

Mr. Klinger: You have no information where you would have known of any fraud which may have been perpetrated by Brisbane in performance of this contract? That wouldn't appear on your records?

The Witness: That wouldn't appear on my records at all because I only have accounting records, bookkeeping records, in other words.

Mr. Klinger: So that even if the accounting department, let us say in this case, showed an open book account of \$20,000, the company still, even though the books show that that would be due, the

results of the prosecutions. However, by that suggestion I don't mean to stipulate that I would feel that those items are material or admissible or anything, but hearsay as to this proceeding, and secondly, I would like to point out that Mr. McBurney has already testified in this Court, and he has testified that the services rendered and for which he made some *nolo contendere* plea, were according to him engineering services. So we won't be able to go to the point of any stipulation as to the Government's version of why Mr. McBurney plead as he did to the criminal charges, but if you want to obtain in the record your offer of proof on what took place as to the charges and convictions, that is something else. I will be glad to stipulate.

The Referee: I don't think it would be fair to anybody, much less to me, to ask me to conclude that every claim that this man made was dishonest or fraudulent, because he was convicted down in the criminal court on other matters probably. I don't know what the charges were down there. In other words, this old fallacy is omnibus. I don't go for that. A man may be dishonest in one transaction and absolutely honest in another.

Mr. Klinger: That is perfectly true, Your Honor. That isn't what we were driving at. The point is, and I hope I can make it clear—you see, that Kickback Statute or Anti-Kickback Statute, whatever you want to call it, provides in substance, if I am in error on any of this I can be corrected, that where an employee, such as McBurney, of a prime

contractor, such as Consolidated Steel, receives any gratuity or payment or compensation from any sub-contractor for the business which is being given to that sub-contractor, then it is presumed by the statute that the United States which has to reimburse the prime contractor under a cost plus fixed fee contract, ultimately paid that gratuity or that kickback and that therefore the statute provides the United States may order the withholding order, the prime contractor to withhold from such sub-contractor any such amount. It doesn't have to be in the particular contract, because by that time that contract is out of the way. It is out of the subsequent moneys which come to the sub-contractor from the prime contractor that the United States is given the right to order the withholding order. So the purpose was simply to show, or of course it appears in the correspondence in these withholding orders, that they are proceeding on the basis of the statute, but it was simply to buttress that to show that there was a substantial basis for the withholding order and that the withholding order is in accordance with the statute. That was all. It was not to charge any fraud in any particular sub-contract.

The Referee: Let me ask you one simple question. Is there no way known to Washington or any of the great minds back there whereby they may not determine whether or not there was any fraud or false claims put in in these matters? Can that not be determined by these great men back in Washington?

Mr. Klinger: Well, I don't know.

The Referee: If so, how long would it take?

Mr. Klinger: No, Your Honor, I don't think I have made myself clear on it because as soon as there is fraud in the relationship between a prime contractor and a sub-contractor of that kind, then the United States is entitled, in order to recover such gratuities, which were paid, and which were ultimately reimbursed the prime contractor for, to withhold through the prime contractor from such sub-contractor, the Government is satisfied that there is fraud here. We have no question about that.

The Referee: Is the Government satisfied that they don't owe this Brisbane Company anything?

Mr. Klinger: The Government is satisfied and our position is very plainly this, that the amount which the Government is entitled to withhold under the Kickback Statute is greater than the amounts which Brisbane claims from Consolidated Steel. It is sort of a set-off proposition.

The Referee: Has that been determined by any accountant or anybody back in Washington?

Mr. Klinger: You have the amounts of \$20,000 here and let's see, \$11,000, or all told, they claim \$40,000. I merely can give you the evidence that was gathered by the bureau and was presented, and that was that Brisbane who acted as sort of the central figure in this conspiracy, received from the group who were handling the collusive bidding, \$128,000, and that he kicked back to McBurney half of that. That was their deal. So that you have got McBurney getting more than \$60,000 and the total

amount of the fraud in actual dollars of payment being \$128,000.

The Referee: Was that actually paid by the Government, \$128,000?

Mr. Klinger: Under the Kickback Statute—well, yes, it would be paid by the Government in the same sense as the \$60,000 or \$65,000 that McBurney received, because the theory of all of these fraud cases is that when these people put in their collusive bids, knowing they had a kickback of ten per cent to Brisbane, who was dividing with McBurney, their bids were increased by the amount which they had to kick back. That is the theory of it.

Mr. Lorimer: Your Honor, wholly apart from the Kickback Act, presuming that there were no Kickback Act involved in this case at all, Consolidated Steel, on the basis of this fraud would have a perfectly valid defense against the sub-contractor Brisbane. Presume an ordinary situation where Consolidated Steel makes a contract with Brisbane. The Government is not involved. Brisbane bribes the Consolidated Steel agent and pays him substantial amounts, and as a result, collects more on its contract than it was justly entitled to. That is pure fraud and it is a perfectly valid defense to any action brought under those contracts.

The Referee: Let me ask you one question. In these contracts, was there not a definite figure mentioned, or was it an elastic contract that might be expanded or contracted at the desire of either parties? Were they for definite sums?

Mr. Gendel: Flat sums in each instance, Your Honor.

Mr. Klinger: In each instance, each of the purchasers to whom McBurney awarded, either to Brisbane or the others, in the group, were for a set amount, but of course the bidding being collusive, and what they called courtesy bids, being put by others in the group, the bid was by whatever they wanted it to be.

The Referee: Let me ask you this. Was it obligatory upon Consolidated Steel to accept those bids? Did Consolidated Steel have any concern with what it cost the Government?

Mr. Klinger: Certainly, McBurney was the man they relied on; their own agent was the buyer. He had a little game of his own going on.

The Referee: Was he the man who finally passed upon the letting of these contracts?

Mr. Klinger: Yes, he prepared the abstract of the bids that were put in, the amounts, and then it showed who was the low bidder and who the higher bidder and the bidder who was to recover and that was what was passed on.

The Referee: What was McBurney's title with this company?

Mr. Klinger: He was the buyer for outside fabrication.

Mr. Gendel: Mr. McBurney testified at some length in this Court. I don't think that would be admissible any more than what occurred at these various criminal hearings. As Your Honor knows, a defendant will very often make so-called deals

with the Government for different reasons than the specific facts involved in what would be a civil action. Your Honor will recall that Mr. McBurney testified he was not convicted, that he entered a plea which was *nolo contendere*, that all that happened to him was that he received a fine, but it was Mr. Brisbane who was convicted and went to prison.

Mr. Klinger: Mr. McBurney served nine months in the jail, also.

The Referee: *Nolo contendere* is a plea of guilty, and stripped of all Latin phraseology, it means "I am guilty, but I didn't mean to do it."

Mr. Gendel: Brisbane went to Tucson, Arizona, for a couple of years. When McBurney testified he denied that he had any such back door arrangement with Mr. Brisbane because if Your Honor recalls, we were interested in attempting to recover from McBurney the \$65,000 that the Government is talking about, and if Your Honor will recall, that is why we got Mr. McBurney up here under 21-A. McBurney's testimony was that he had a job that Consolidated paid him, I think it was \$300 or \$400 a month, not as a purchasing agent in connection with any of these transactions, but as he said, the services that he rendered involved in any dealings with Brisbane were the services of an independent engineer in helping set up bids which were submitted, that the letting of the bids, according to his testimony, had nothing to do with him or his authority. Now, that was his unequivocal testimony. I did not participate in the criminal trials which I

understood went on for some days. Apparently in the criminal proceedings the only ones convicted were Brisbane, by the finding of the Court, and McBurney by his plea of nolo contendere. The rest of these gentlemen apparently were not involved.

Mr. Klinger: Mr. Wilcox was convicted and Mr. Hanson Brown was convicted.

Mr. Gendel: Not on these.

Mr. Klinger: They were.

Mr. Gendel: I don't want to argue with the Government on convictions. I know that Simpson and Stone was acquitted.

Mr. Klinger: Yes.

Mr. Gendel: Here is a letter of May 19, the second page showing the following sub-contractors paid a total of \$128,499.38 to Brisbane, of which McBurney received \$65,000. That includes B & L Machine Tool and Die, Davenport Manufacturing Company, Commercial Piping and Engineering Company, and Wire and Metal Manufacturing Company. Apparently as far as those deals were concerned, there was no direct contractual relationship between Consolidated Steel and Brisbane and Company at all. So that if there is any attempt on the part of either the Government or Consolidated Steel to set up any compliance with even the limited provisions of the Anti-Kickback Act, you can't do it by merely referring to criminal charges or criminal convictions. That is one phase of it. The second phase is that I think that Consolidated by

its action has long ago become estopped from attempting to set up any defense other than the stop order which was obtained from the Government. We must remember, Your Honor, that this matter has been pending and the Trustee has been trying to collect for two years now. This is the first time that we have heard a theory of fraud urged not plead by an answer to defend at any time. This is the third petition of this character that has been filed. This is the first time we hear that they might contend fraud generally in connection with the execution of the contract. Now, since the letting of the contract and the making of these so-called reprehensible payments and the present time, a bankruptcy has intervened. Creditors have extended credit to Brisbane and Company, not Brisbane personally. We have in this case a division of assets and liabilities. We have two entities. We have Brisbane and Company, a limited partnership, and creditors extending their credit to this entity. We have another entity, Eugene C. Brisbane, individually. Now, if there were any rights involved in this situation, it wouldn't be generally against a company as such. It would be against the individual who participated in the reprehensible activities for which Brisbane was convicted. Now, mind you, Your Honor, I have no sympathy for Mr. Brisbane, if he was guilty. We are not standing on that position at all.

The Referee: What do you think I can do here?

Mr. Gendel: Here is the dual position that we take, Your Honor. No. 1, as far as the Statute

itself is concerned, it is a very short statute and it is attached on the certificate for review. I don't know whether it is in the file before Your Honor or not. It is typed and is just a page and a quarter.

The Referee: Is this matter on review?

Mr. Gendel: No. But once it went up, you will recall, with the United States objecting to jurisdiction, which objection was a close one, and we felt when it was sent back to Your Honor that we would eliminate the objection to jurisdiction by just bringing the proceedings against Consolidated and now the United States has intervened and we have no problem of jurisdiction as to the United States as a party. Now, directing Your Honor's attention for a moment to the Act itself, it is a very stern act and I think it was drawn by the members of Congress in their anger at discovering that certain of our contractors and sub-contractors were attempting to defraud the Government. Whoever drafted it disregarded, as I see it, all rules of due process of law. They didn't provide, for example, Your Honor, any notice to the sub-contractor, let us say, Brisbane and Company, in this instance that the money was being withheld or why it was being withheld. They didn't provide any protection for the rights of creditors in this particular case, as a prime example, of the intervention of the rights of innocent persons without any place or means of form to present their rights to ascertain whether or not they have money coming through the agency of the Bankruptcy Court or whether the Government correctly can stop the payment of the money.

Then, as far as the Act itself is concerned, it doesn't directly provide any form in which you can argue these matters out. It does provide that the United States could urge by a set-off or by other means or by an action in an appropriate court of the United States, a right to collect their money. The United States, however, hasn't seen fit to do any of those things. The Trustee in this instance, through our office, wrote in early 1947 and presented opposition and asked them to do something, either lift their restriction and allow the matter to be adjudicated before Your Honor or else take some proceeding so that we could litigate the rights of the innocent creditors involved here. Now, the Government didn't do that in spite of the Act containing that clause in it. Now, I heard some discussion in writing in our other arguments that there is an administrative procedure act, but I don't see that that has any bearing. It hasn't been followed by either the Government or Consolidated Steel. The Anti-Kickback Act, Your Honor, was passed in March, 1946. The Administrative Procedure Act was passed in June of 1946. I don't think they have any relationship—and if Your Honor were to read that statute carefully, I think it would create an immediate feeling in the mind of your Honor that there is no due process of law involved in allowing a Government agency, no matter how reprehensible the acts of one or other parties would be, to merely send a letter to a party owing money saying stop, and that according to the statute, ending the rights of the parties.

The Referee: I don't think that can be so. You can't write letters and state rights and wrongs.

Mr. Gendel: That is all that has been done in this case, as is evidenced by the testimony and is evidenced by the position of the Government, that as far as they are concerned, that is all they have to do.

The Referee: No, I don't go along with them on that. I think they should have long before this done something to assert their rights.

Mr. Gendel: I feel that way about it; I think the Court should order the payment of the amount that is on question. That is the \$20,390.82, and continue the question with reference to the contract termination amounts in order not to unfairly penalize Consolidated and give Mr. Klinger and Mr. Lorimer and ourselves a chance to take care of that by correspondence and stipulation, which I think we can do. I think that would be the only fair way in which to handle the rights of creditors, including the United States of America, which is a sizable creditor, keeping in mind, Your Honor, that we do have in this case a division of entities, Brisbane and Company, which the business creditors dealt with, and which had included not only Brisbane, but limited partners and Eugene C. Brisbane, personally, who then took this money nefariously and put it in his pocket, and by his taking had created a personal liability to Uncle Sam for that.

Mr. Klinger: So as to keep the record straight, I don't want to get into a long-winded discussion. We argued this once before at length. I will say first that as to the division of entities, the Anti-

Kickback Statute refers to the sub-contractor and I think that would cover the business entity that Mr. Gendel was referring to. And then may I say that since we were withholding our written objections to the Order to Show Cause until the evidence was in, Your Honor wanted an opportunity to hear the case before hearing anything about the law, and before Your Honor makes a ruling on this matter, may we then for the record present our objections to the granting of the Order to Show Cause so that the record will be straight on that point?

The Referee: Yes, sir.

Mr. Lorimer: Consolidated Steel's main point hasn't been argued.

The Referee: I don't think Consolidated has much rights. You recommended the payment of it. Now you want to come back on fraud. I don't think you have any standing at all. You recommend to the Government that these be paid; that is what he said on the stand here under oath. I heard him.

Mr. Lorimer: He said that Consolidated audited the figures and as far as the records showed, that was the correct payment, but the record doesn't show the fraud which took place.

The Referee: I am not going to let you drag that in here.

Mr. Lorimer: In any event, Your Honor, this matter involving the constitutionality of the Anti-Kickback—

The Referee: I am not ruling on the constitutionality of anything. I am saying that your company wrote a letter and said as far as we know

these amounts are correct and should be paid. Now, they have got to stand on that recommendation. Two years later they want to come back and say this fellow was convicted and we want to plead fraud. I am not going to hear that at all.

Mr. Lorimer: In other words, you are making an order for payment despite the Anti-Kickback Act?

The Referee: I am going to make an order that you pay \$20,390.82. You can take a review on that if you want to.

Mr. Lorimer: I would like to file this memorandum of points and authorities.

The Referee: I think you ought to do that. You sit on your hands for two years and then say I can write a letter and deprive people of their money.

All right. You may draw that type of an order for \$20,390.82, Mr. Gendel.

Mr. Gendel: That reserves the other phase of it for processing by Mr. Klinger and Mr. Lorimer and myself.

The Referee: That is right.

Mr. Gendel: Thank you.

State of California,
County of Los Angeles—ss.

I, P. A. Duran, Official Court Reporter, do hereby certify that the foregoing comprise a true and correct transcript of the proceedings had in the above-entitled matter.

Dated this ninth day of July, 1949.

/s/ P. A. DURAN,
Official Court Reporter.

[Endorsed]: Filed July 14, 1949.

[Title of District Court and Cause.]

CERTIFICATE OF CLERK

I, Edmund L. Smith, Clerk of the United States District Court for the Southern District of California, do hereby certify that the foregoing pages numbered from 1 to 108, inclusive, contain the original Certificate of Referee on Review re April 12, 1949, Order; Petition for Order to Show Cause re Consolidated Steel Corporation; Order to Show Cause; Petition on Behalf of the United States for Leave to Intervene; Objections of United States to Order to Show Cause; Stipulation; Findings of Fact, Conclusions of Law and Order Granting Trustee's Petition Against Consolidated Liquidating Corporation; Findings of Fact, Conclusions of Law and Order on Petition for Segregation of Assets and Claims; Applications for Extension of Time Within Which to Petition for Review of Order; Notice; Petitions for Review; Referee's Supplemental Certificate on Review re April 12, 1949, Order; Transcript of Hearing on Order to Show Cause Held April 22, 1948; Memorandum of Points and Authorities of Consolidated Steel Corporation; Referee's Second Supplemental Certificate on Re-

view re April 12, 1949, Order; Trustee's Exhibits 1 and 2; Order re Motion to Suspend Enforcement of Referee's Order; Order on Review of Referee's Order Dated April 12, 1949, etc.; Notice of Appeal and Designation of Record on Appeal and full, true and correct copies of Original Petition in Proceedings Under Chapter XI; Approval of Debtor's Petition and Order of Reference; Order of Adjudication and Order of Adjudication and Order to File Schedules which constitute the transcript of record on appeal to the United States Court of Appeals for the Ninth Circuit.

I further certify that my fees for preparing and certifying the foregoing record amount to \$3.85 which sum has been paid to me by appellant.

Witness my hand and the seal of said District Court this 24th day of July, A.D. 1950.

EDMUND L. SMITH,
Clerk.

[Seal] By /s/ THEODORE HOCKE,
Chief Deputy.

[Endorsed]: No. 12624. United States Court of Appeals for the Ninth Circuit. George T. Goggin, as Trustee of the Estate of Eugene C. Brisbane, Individually, and Brisbane & Company, a Limited Partnership, Bankrupts, Appellant, vs. Consolidated Liquidating Corporation and United States of America, Appellee. Transcript of Record. Appeal from the United States District Court for the Southern District of California, Central Division.

Filed July 26, 1950.

/s/ PAUL P. O'BRIEN,

Clerk of the United States Court of Appeals for the Ninth Circuit.

In the United States Court of Appeals
for the Ninth Circuit

No. 12624

GEORGE T. GOGGIN, Trustee in Bankruptcy of
BRISBANE & COMPANY, a Limited Part-
nership, etc., Bankrupts,

Appellant,

vs.

CONSOLIDATED LIQUIDATING
CORPORATION,

Appellee.

STATEMENT OF POINTS UPON WHICH
APPELLANT INTENDS TO RELY

Appellant, George T. Goggin, Trustee in Bankruptcy of Brisbane & Company, a limited partner-

ship, bankrupt, and Eugene C. Brisbane, individually, a bankrupt, intends to rely on appeal on the following points:

1. The District Court erred in reversing the Order of the Referee granting the relief prayed for by the appellant-trustee in his Petition for Order to Show Cause filed with the Bankruptcy Court on March 31, 1948.

2. The District Court erred in holding that the bankruptcy court did not have summary jurisdiction over the within dispute.

3. The District Court erred in holding that the Anti-Kickback Act of March 6, 1946 (60 Stat. 37), is applicable in the within proceedings.

Dated: September 28, 1950.

/s/ MARTIN GENDEL,
Of Counsel for Appellant.

Affidavit of Service by Mail attached.

[Endorsed]: Filed September 29, 1950.

[Title of Court of Appeals and Cause.]

APPELLANT'S DESIGNATION OF RECORD
TO BE PRINTED

Appellant, George T. Goggin, Trustee in Bankruptcy of Brisbane & Company, a limited partnership, bankrupt, and Eugene C. Brisbane, individually, a bankrupt, does hereby designate as the portions of the record, proceedings and evidence to be printed in connection with the within appeal, all of the record, proceedings and evidence certified to the Clerk of this Court by the Clerk of the District Court in connection with the said appeal.

In addition to the foregoing portions of the record on appeal, appellant designates for printing this Designation of Record and the Statement of Points Upon Which Appellant Intends to Rely filed with this Court simultaneously herewith.

Appellant hereby requests that all of the aforementioned portions of the record, proceedings and evidence before the District Court and this Honorable Court be printed as material to the consideration of the appeal.

Dated: This 28th day of September, 1950.

/s/ MARTIN GENDEL,

Of Counsel for Appellant.

Affidavit of Service by Mail attached.

[Endorsed]: Filed September 29, 1950.

No. 12624

IN THE

United States Court of Appeals

FOR THE NINTH CIRCUIT

GEORGE T. GOGGIN, as Trustee of the Estate of EUGENE
C. BRISBANE, Individually, and BRISBANE & COMPANY,
a Limited Partnership, Bankrupts,

Appellant,

vs.

CONSOLIDATED LIQUIDATING CORPORATION and UNITED
STATES OF AMERICA,

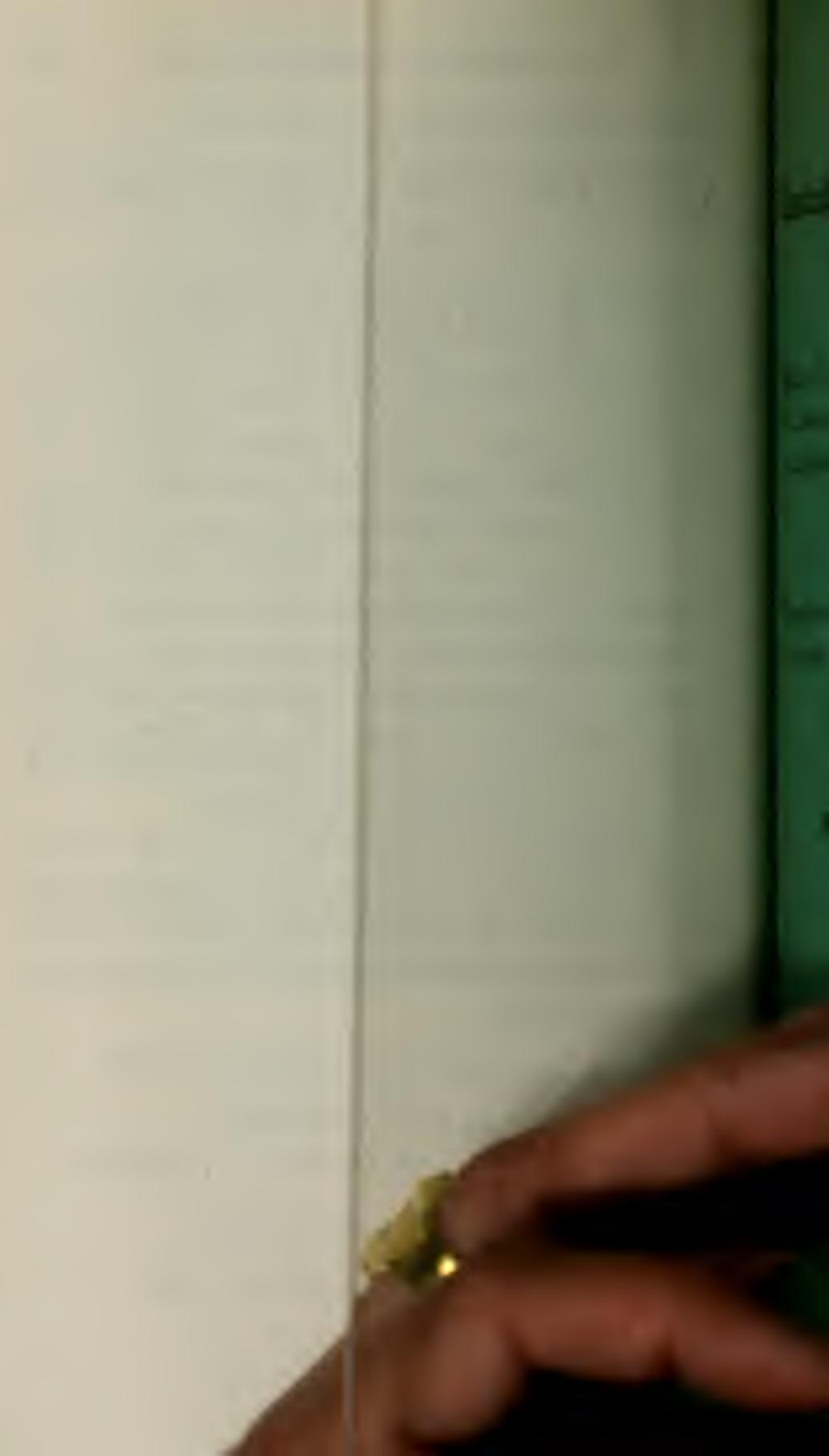
Appellees.

APPELLANT'S OPENING BRIEF.

MARTIN GENDEL

810 Oviatt Building, Los Angeles 14,

Of Counsel for Appellant, Trustee in Bankruptcy.



No. 2624

IN THE

United States Court of Appeals

FOR THE NINTH CIRCUIT

GEORGE T. GOGGIN, Trustee of the Estate of EUGENE
C. BRISBANE, Individually and BRISBANE & COMPANY,
a Limited Partnership, Bankrupts,

Appellant,

CONSOLIDATED LIQUIDATING CORPORATION and UNITED
STATES OF AMERICA,

Appellees.

APPELLANT'S OPENING BRIEF.

W. GENDEL

Building, Los Angeles 14,

Trustee in Bankruptcy.

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No. 12624

IN THE

United States Court of Appeals

FOR THE NINTH CIRCUIT

GEORGE T. GOGGIN, as Trustee of the Estate of EUGENE
C. BRISBANE, Individually, and BRISBANE & COMPANY,
a Limited Partnership, Bankrupts,

Appellant,

vs.

CONSOLIDATED LIQUIDATING CORPORATION and UNITED
STATES OF AMERICA,

Appellees.

APPELLANT'S OPENING BRIEF.

*To the Honorable Judges of the United States Court of
Appeals for the Ninth Circuit:*

This appeal is from a final order of the District Court for the Southern District of California, Central Division, the Honorable Peirson M. Hall, Judge Presiding. [Tr. 67-69.] The order was made in a bankruptcy proceeding and was a reversal of the order of the Referee in Bankruptcy and a favorable determination of the appellees' petitions for review thereof. The said order constituted a ruling that the bankruptcy court had no summary jurisdiction over the subject matter of the dispute before it.

I.

JURISDICTIONAL STATEMENT.

As a court of bankruptcy, the United States District Court had jurisdiction of this cause pursuant to the Act of July 1, 1898, as Amended. (Chapter 541, Sections 1 and 2, 30 Stat. 544, 545, as Amended; United States Code, Title XI, Chapter 1, Section 1, and Chapter 2, Section 11.) On July 8, 1946, Eugene C. Brisbane doing business as Brisbane & Company, filed a petition under Chapter XI of the Bankruptcy Act and thereby commenced this bankruptcy proceeding. [Tr. 2-10.] On the same day the Honorable Leon R. Yankwich approved the petition and made an order of reference to Hugh L. Dickson, Referee of the bankruptcy court [Tr. 9]; subsequently, Eugene C. Brisbane, doing business as Brisbane & Company was adjudicated a bankrupt [Tr. 10] and on January 24, 1947, Referee Hugh L. Dickson, rendered an order adjudicating Brisbane & Company, a limited partnership, a bankrupt as a part of the same bankruptcy proceedings. [Tr. 11.]

On March 31, 1948, appellant-trustee filed a PETITION FOR ORDER TO SHOW CAUSE RE CONSOLIDATED STEEL CORPORATION praying that an order issue directing Consolidated Steel Corporation (later Consolidated Liquidating Corporation [Tr. 31] and hereinafter referred to as "Consolidated") to appear and show cause why it should not be required to turn over to the said trustee all moneys admittedly owing from said corporation to the within bankrupt estate. [Tr. 15-17.] An order to show cause was issued thereon by Referee Dickson on the same day [Tr. 17-18] and on April 22, 1948, the United States filed a petition for leave to intervene in the said proceedings. [Tr. 19-21.] By order dated April 12, 1949, the Referee in

Bankruptcy found in favor of the contentions of the trustee [Tr. 33-36] and a petition for review was filed by Consolidated [Tr. 39-41] and by the United States of America. [Tr. 43-47.] By order dated May 25, 1950, the Honorable Peirson M. Hall reversed the order of the Referee below. [Tr. 67-69.] Within the time allowed by law, appellant filed a notice of appeal [Tr. 70] and said appeal has been perfected by taking all the steps required by law.

The jurisdiction of the Court of Appeals is invoked pursuant to Sections 24 and 25 of the Bankruptcy Act. Appellate jurisdiction over this proceeding in bankruptcy vested in the Court of Appeals upon the trustee's filing his notice of appeal on June 13, 1950; the amount involved is in excess of \$500.00.

II.

STATEMENT OF THE CASE.

Appellant is trustee in bankruptcy of two bankrupt entities being administered in the one bankruptcy case: Eugene C. Brisbane, individually, and Brisbane & Company, a limited partnership. On December 22, 1947, the bankruptcy court made an order segregating the claims and the assets of the two entities so that certain assets were ordered attributable to Brisbane & Company, a limited partnership, and certain other assets attributable to Eugene C. Brisbane, individually; in turn, the claims against each entity were ordered to be segregated and paid first from the entity against which the said claims were properly allowable. [Tr. 12-15.]

The trustee in bankruptcy learned that Consolidated was indebted to the bankrupt partnership on an open book account in the sum of \$20,390.80 and that the said appellee, Consolidated, was further indebted to the bank-

rupt partnership upon certain purchase orders. [Tr. 31-32.] The trustee demanded the payment of these sums and when the payment was refused, filed a PETITION FOR ORDER TO SHOW CAUSE RE CONSOLIDATED STEEL CORPORATION praying that the Consolidated show cause why it should not pay said amount and alleging that Consolidated claimed no right, title or interest in or to said moneys. [Tr. 15-17.] An order to show cause was duly issued thereon by the Referee in Bankruptcy on March 31, 1948 [Tr. 18] and the United States of America filed a petition for leave to intervene. [Tr. 19-21.] The United States of America filed objections to the order to show cause [Tr. 21-23] and Consolidated filed a memorandum of points and authorities. [Tr. 23-31.]

In its objections, the United States contended that it had directed Consolidated to withhold payment to the bankrupt partnership allegedly in accordance with the provisions of Public Law 319 (79th Congress, 2nd Session), also known as the Anti-Kickback Act; the United States further argued it had asserted a substantial and bona fide claim of ownership to the property herein involved and that said claim was adverse to the claim asserted by the trustee in bankruptcy; the United States further stated that it had not consented to the determination of title to said property by summary proceedings in the bankruptcy court. [Tr. 21-23.] Consolidated, in its memorandum of points and authorities, also discussed the Anti-Kickback Act and made certain other contentions regarding the alleged unliquidated nature of the claim, the alleged adverse interests of the United States, and, finally, that a fraud was committed by Eugene C. Brisbane in his dealings with Consolidated's agent. For the foregoing reasons, Consolidated contended that there was a lack of summary jurisdiction in the bankruptcy court.

[Tr. 23-30.] Consolidated made no claim to the money owing on open account.

A hearing was held on this matter on April 22, 1948, at which the appellant-trustee and intervener, United States of America, and appellee, Consolidated, were represented by counsel. [Tr. 72-102.] The Referee authorized the intervention by the United States [Tr. 73] and the trustee called as a witness Mr. Robert M. Crawford, an employee of Consolidated. [Tr. 74.] Mr. Crawford designated himself as manager of the Accounting Department of the Shipbuilding Division of appellee Consolidated. Mr. Crawford testified that so far as the books and records were concerned, Brisbane & Company had completed contracts for Consolidated and that on an open book account Consolidated owed Brisbane & Company the sum of \$20,390.82. [Tr. 74-75.]

Mr. Crawford also testified that there were certain contract termination claims on Maritime Commission contracts, purchase orders Nos. H-402 and H-135, on which certain amounts were owing after both Consolidated and the United States Maritime Commission representatives had audited the said claims [Tr. 74-75]; the amounts for these two termination claims were later stipulated to be \$1370.72 and \$4722.75 respectively, subject, however, to possible further processing by the United States Maritime Commission. [Tr. 31-32.] Mr. Crawford stated that the trustee had demanded the amounts set forth above but that on June 12, 1946, and on May 19, 1947, Consolidated had received certain communications from the United States Maritime Commission and from the General Accounting Office, Audit Division, respectively [Tr. 77-78]; these letters were introduced as Trustee's Exhibits 1 and 2. Trustee's Exhibit No. 1, a letter from the United States Maritime Commission, stated that Eugene

Charles Brisbane, "owner of Brisbane & Company" had paid more than \$50,000.00 to one of Consolidated's employees in violation of the Anti-Kickback Act and that Consolidated should, therefore, withhold, in behalf of the government, the entire amount of the claim in question. [Tr. 61-62.] Trustee's Exhibit No. 2, the letter from the General Accounting Office, referred to the conviction of Mr. McBurney, the former purchasing agent for Consolidated, of conspiracy with Mr. Brisbane and others to defraud the United States through collusive bidding on purchase orders, and those purchase orders were set forth by number in the letter. The letter ordered Consolidated to withhold any payment of moneys to Brisbane & Company. [Tr. 62-64.]

Mr. Crawford testified that these letters constituted the only reason for the failure of Consolidated to pay the money owing to the bankrupt partnership; so far as Mr. Crawford knew, and he was in charge of the Accounting Department of the Shipbuilding Division of Consolidated, the money was owing and the amounts were correct. [Tr. 80-81.] The counsel for the United States of America asked the witness whether he had any knowledge of any fraud that might have been perpetrated by Mr. Brisbane in the performance of his contracts, but the witness replied that he had no such record. [Tr. 87.]

The Referee made findings of fact, conclusions of law, and an order thereon [Tr. 33-36], finding that Consolidated owed the bankrupt partnership the sum of \$20,390.82 on an open book account, and the sum of \$1370.72 on Purchase Order No. H-402, and the sum of \$4722.75 on Purchase Order No. H-135. [Tr. 34.] The Referee further found that the refusal of Consolidated to pay the above sums was based upon the letters from the Maritime .

Commission and the General Accounting Office, and that neither the United States of America nor Consolidated had any substantial, bona fide, adverse claim to the said moneys and that these amounts were being held by Consolidated on behalf of the appellant as trustee of the bankrupt partnership herein. [Tr. 35.]

Both Consolidated [Tr. 39-42] and the United States of America [Tr. 43-47] filed petitions for review of the Referee's order and the reviewing judge, the Honorable Peirson M. Hall, reversed the said order. [Tr. 67-69.]

The District Judge concluded that the bankruptcy court could not have constructive possession of an unliquidated claim, and held that a claim is unliquidated if the one having actual possession contests it. [Tr. 67.] The District Judge also stated in his order that the claim of Consolidated was adverse in that "it did not owe the bankrupt the claimed money, if the United States were entitled to it." [Tr. 68.] The Judge found that the United States had a bona fide and not a spurious, colorable or frivolous claim in that its claim to the moneys was based upon certain statutes of the United States. [Tr. 69.] The Court ruled that the United States had saved its objection to summary jurisdiction of the Referee by its timely objection thereto. The Judge was unable to find that Consolidated had ever objected to the summary jurisdiction of the bankruptcy court, since it had not done so, but found that the United States was the true adverse claimant to the ultimate right to the said moneys. [Tr. 69.]

III.

SPECIFICATION OF ERRORS.

The order reversing the order of the Referee is erroneous in that the bankruptcy court had summary jurisdiction over the subject matter of the within proceedings.

IV.

SUMMARY OF ARGUMENT.

A. THE REFEREE IN BANKRUPTCY HAD THE POWER TO INQUIRE INTO HIS OWN JURISDICTION.

B. THE WITHHOLD ORDERS OF THE UNITED STATES MARITIME COMMISSION AND THE GENERAL ACCOUNTING OFFICE DO NOT CONSTITUTE A VALID BASIS FOR THE NON-PAYMENT BY CONSOLIDATED OF THE MONEYS BELONGING TO BRISBANE & COMPANY, A LIMITED PARTNERSHIP, BANKRUPT.

C. THE UNITED STATES OF AMERICA SUBMITTED TO THE JURISDICTION OF THE BANKRUPTCY COURT BY FILING ITS PETITION TO INTERVENE AND PARTICIPATING IN THE HEARING.

D. THE REFEREE HAD THE SUMMARY JURISDICTION TO ISSUE THE ORDER HEREIN.

V.

ARGUMENT.

A. The Referee in Bankruptcy Had the Power to Inquire Into His Own Jurisdiction.

It is essential to note at the outset that the claim by appellant on the open book account in the amount of \$20,390.82 is for work performed by the bankrupt partnership on behalf of Consolidated, appellee herein, and that no processing of this claim is needed or has ever been needed as far as the United States Maritime Commission is concerned. This sum is a debt that stands on the books of Consolidated and which would have been paid, were it not for the withhold order of the government agencies hereinabove described. As for the termination claims on the Purchase Orders Nos. H-402 and H-135, the United States of America has processed these termination claims as fully as it ever will; as evidenced by the withhold letters of the government agencies, no further action has been or will be taken on these claims.

It is further notable that in trustee's Exhibit No. 2 [Tr. 62-64] the General Accounting Office alleges that Eugene C. Brisbane paid certain moneys to one McBurney, an employee of Consolidated, allegedly as kickbacks. Nowhere in the letter is there any showing of any amount that the bankrupt partnership, Brisbane & Company, ever paid to McBurney as an alleged kickback in return for receiving a contract with the United States government or with Consolidated. The mere statement in these letters has resulted in the complete stalemate whereby, without proof, the creditors of the bankrupt partnership are deprived of large sums of money owing to the bankrupt

partnership for work performed, presumably based upon materials and services furnished by the said creditors of the partnership.

At no time has Consolidated ever contended that Brisbane & Company, a limited partnership, did not perform the work and furnish the material on which the within claims are based. Indeed, after all of the auditing was completed, the books still show the \$20,390.82 owing on the open book account and the other sums hereinabove set forth as owing under the termination claims. It must be presumed, therefore, that the work was performed, the services and materials furnished, and that the ground, if any, for the refusal to pay the bankrupt partnership is based upon the alleged fraud of Eugene C. Brisbane, an individual.

It is not the contention of the appellant that the bankrupt or the bankruptcy court had actual possession of the moneys here involved at the time of the filing of the petition in bankruptcy. These moneys were clearly owing to the bankrupt partnership and were in the hands of Consolidated at that time and in the constructive possession of the bankruptcy court. Consolidated has never made any adverse claim to these moneys. The sole reasons for the failure to pay the same to the trustee herein are the letters from government agencies directing Consolidated not to pay. So far as it appears from the record and from the proof introduced before the Referee in Bankruptcy, there is no question but that Consolidated

would have paid the amount owing and in its hands were it not for the intervention of the government agencies here involved.

The United States and Consolidated contend, however, that the United States has a bona fide, adverse claim to those moneys. The mere fact that such a claim is made does not oust the bankruptcy court of its jurisdiction. It is well settled that the bankruptcy court has the power to examine into such claims in order to determine whether they are merely colorable or rest upon an untenable proposition of law.

May v. Henderson (1924), 268 U. S. 111;

Bank of California National Assn. v. McBride
(C. C. A. 9, 1943);

In re Michaelis v. Lindeman (D. C., S. D. N. Y.,
1912), 196 Fed. 718.

B. The Withhold Orders of the United States Maritime Commission and the General Accounting Office Do Not Constitute a Valid Basis for the Non-Payment by Consolidated of the Moneys Belonging to Brisbane & Company, a Limited Partnership, Bankrupt.

It was therefore within the power of the bankruptcy court to inquire into its summary jurisdiction and to determine whether there was any basis for the withholding of these moneys owing by Consolidated. The ground stated by Consolidated for its withholding of the said moneys was the orders of the United States agents which

orders were based upon the Anti-Kickback Act.¹ It is obvious from that statute (quoted in full in footnote 1 to this brief) that its intent is to reduce the amount to be paid to a subcontractor or a prime contractor in an amount equal to the reward paid by said subcontractor or prime contractor for the particular contract involved. In the instant case we have no such problem. Although it is difficult to determine the basis upon which the United States and its agents acted since there was no evidence thereof, it is clear from the letter of the General Accounting Office dated May 19, 1947 [Tr. 62] that Brisbane, an individual, allegedly paid certain amounts to an agent of Consolidated; there is absolutely no proof that the

¹STATUTES INVOLVED.

The Anti-Kickback Act
(41 U. S. C. A., Secs. 51, 52.)

“§51. *Fees or Kick-backs by subcontractors on cost-plus-a-fixed-fee or cost reimbursable contracts: recovery by United States: conclusive presumptions: withholding of payments.*

The payment of any fee, commission, or compensation of any kind or the granting of any gift or gratuity of any kind, either directly or indirectly, by or on behalf of a subcontractor, as defined in section 52 of this title, (1) to any officer, partner, employee, or agent of a prime contractor holding a contract entered into by any department, agency, or establishment of the United States for the furnishing of supplies, materials, equipment or services of any kind whatsoever, on a cost-plus-a-fixed-fee or other cost reimbursable basis; or to any such prime contractor or (2) to any officer, partner, employee, or agent of a higher tier subcontractor holding a subcontract under the prime contract, or to any such subcontractor either as an inducement for the award of a subcontract or order from the prime contractor or any subcontractor, or as an acknowledgment of a subcontract or order previously awarded, is hereby prohibited. The amount of any such fee, commission, or compensation or the cost or expense of any such gratuity or gift, whether heretofore or hereafter paid or incurred by the subcontractor, shall not be charged, either directly or indirectly, as a part of the contract price charged by the subcontractor to the prime contractor or higher tier subcontractor. The amount of any such fee, cost, or expense shall be recoverable on behalf of the United States from the subcontractor

bankrupt limited partnership participated in any fraud or that the said partnership has received any benefits from Brisbane's alleged illegal acts. As is shown by the record, there has been a clear division of entities involved in the within bankruptcy proceedings so that the assets and liabilities of the individual and of the partnership have been kept clearly distinct. [Tr. 12.] This is in accordance with the well established rule in bankruptcy which recognizes that a partnership is a distinct entity under the Bankruptcy Act. (Bankruptcy Act, §5.)

“As such legal entity, a partnership owns its property and owes its debts, apart from the individual

or the recipient thereof by set-off of moneys otherwise owing to the subcontractor either directly by the United States, or by a prime contractor under any cost-plus-a-fixed-fee or cost reimbursable contract, or by an action in an appropriate court of the United States. Upon a showing that a subcontractor paid fees, commissions, or compensation or granted gifts or gratuities to an officer, partner, employee, or agent of a prime contractor or of another higher tier subcontractor, in connection with the award of a subcontract or order thereunder, it shall be conclusively presumed that the cost of such expense was included in the price of the subcontract or order and ultimately borne by the United States. Upon the direction of the contracting department or agency or of the General Accounting Office, the prime contractor shall withhold from sums otherwise due a subcontractor any amount reported to have been found to have been paid by a subcontractor as a fee, commission, or compensation or as a gift or gratuity to an officer, partner, employee, or agent of the prime contractor or another higher tier subcontractor, Mar. 8, 1946, c. 80, §1, 60 Stat. 37.

“§52. *Same: definitions.*

For the purpose of sections 51-54 of this title, the term 'subcontractor' is defined as any person, including a corporation, partnership, or business association of any kind, who holds an agreement or purchase order to perform all or any part of the work or to make or to furnish any article or service required for the performance of a cost-plus-a-fixed-fee or cost reimbursable contract or of a subcontract entered into thereunder, and the term 'person' shall include any subcontractor, corporation, association, trust, joint-stock company, partnership, or individual. Mar. 8, 1946, c. 80, §2, 60 Stat. 38.”

property of the members which it does not own and apart from the individual debts of its members which it does not owe. The individuals and the firm are entities separate and distinct from one another.”

Collier on Bankruptcy, 14th Ed., Par. 5.03, pages 691-692.

In accordance with this doctrine, income taxes owing by an individual partner can not be paid from the assets of the partnership in bankruptcy until the debts of the partnership creditors shall have first been paid, and there is a surplus over to be distributed to the individual partners.

United States v. Kaufman (1925), 267 U. S. 408.

The bankruptcy court is given the overriding power to marshal the assets and liabilities of the individual partners and of the partnership, so as to prevent preferences and to secure the equitable distribution of the several estates.

Bankruptcy Act, §5-h.

Whatever right the Maritime Commission or the General Accounting Office might have had to prevent the distribution of moneys to Eugene C. Brisbane individually, there is no basis stated in their letters warranting a withholding of moneys owing to the bankrupt partnership, Brisbane & Company, to the detriment of the partnership creditors. Indeed, these creditors are the ones who furnished the materials and the services that enabled the limited partnership to fulfill their contracts with Consolidated.

The inherent unsoundness of the position of the appellees is derived from the Anti-Kickback Act itself. This

legislation apparently purports to authorize government agents to direct the withholding of moneys otherwise admittedly owing without any procedure for the litigation or determination of the justice and fairness of such withhold orders. Neither the bankrupt partnership nor its trustee has ever been permitted to question the determination of these government agents. No one has been permitted to examine the evidence, if any, upon which the withhold orders are based. No opportunity has been given to prove that the bankrupt partnership did not participate in or profit from the alleged kickbacks.

Consolidated and the United States of America therefore seek to withhold moneys from the trustee of the limited partnership for services performed and materials furnished by that organization without review by any court and without the presentation of any evidence. It is a basic principle of our law that such a result would be a deprivation of property without due process of law and, therefore, of no force or effect.

A. & M. Brand Realty Corp. v. Woods (U. S. D. C., D. C., 1950), 19 L. W. 2194.^{1a}

^{1a}“It is well settled that if a statute is subject to two constructions, one of which would raise a doubt as to constitutionality and the other would render the statute clearly constitutional, the court would prefer the second of the two interpretations.

“The court, therefore, construes the statute to contemplate judicial review in an appropriate proceeding. If the statute, however, is not to be so construed, then in any event this court may examine the question whether an order of the Expediter results in a deprivation of property without due process of law, that is, whether it is confiscatory. Naturally, the scope of review is narrower than that provided by the Administrative Procedure Act. Probably the only question that may be examined is whether the rate fixed is confiscatory.”

Accordingly, the trustee sought to have the bankruptcy court exercise its summary jurisdiction to determine whether these moneys (which were not claimed by Consolidated for itself and which Consolidated admitted were owing) were being withheld under a mere colorable adverse claim. Instead of presenting any evidence, the intervenor United States of America sought to inject itself into the proceedings and to deny the bankruptcy court its right to inquire into its own jurisdiction. Consolidated, in turn, offered no evidence but, instead, filed a memorandum of points and authorities [Tr. 23], apparently in support of the objections of the United States.

The bankruptcy court was therefore compelled to decide the question upon the evidence presented to it, consisting of the testimony of Mr. Crawford, which has been set forth in detail above, and the introduction of the two withhold letters from the governmental agencies. It is submitted that the Referee was correct in his conclusion that Consolidated owed the money and had advanced no substantial adverse claim.

C. The United States of America Submitted to the Jurisdiction of the Bankruptcy Court by Filing Its Petition to Intervene and Participating in the Hearing.

The United States, on the other hand, was not made a party to this proceeding except by its own motion. The United States apparently has been contending that this is a suit against the United States without its consent, but it is clear that the contracts here involved were made between Consolidated and the bankrupt partnership; it therefore follows that the litigation should be between the contracting parties. The United States is in no way bound by any litigation between the trustee and Consolidated since the United States need not be a party thereto and would be permitted to make its own determination whether it would reimburse the prime contractor. It should be sufficient answer merely to state that a contractor, who has a cost reimbursable contract with the United States, is not entitled to breach its own contract with a third party and then avoid a suit brought by the third party on the ground that a recovery might result in added cost to the United States. Furthermore, it is basic that an intervenor can make no objection to lack of jurisdiction.²

It would seem equally clear that if a sovereign may subject itself to the jurisdiction of the bankruptcy court by filing a claim therein, it may submit itself to jurisdiction by a petition in intervention. (See *Gardner v. New Jersey* (1947), 329 U. S. 565.)

²*Collier on Bankruptcy*, 14th Ed., Par. 23.08, p. 513. See also *Shooters Island S. Co. v. Standard Shipbuilding Corp.* (1923, C. C. A. 3), 293 Fed. 706, and cases there cited.

D. The Referee Had the Summary Jurisdiction to Issue the Order Herein.

In view of the insubstantial and colorable nature of the claim of Consolidated to the moneys here involved, it is clear that the bankruptcy court had the summary jurisdiction to require Consolidated to turn the moneys over to the trustee. If this were a mere debt owing by Consolidated to the trustee and Consolidated showed that it had a substantial defense, there is no doubt but that summary jurisdiction in the bankruptcy court would be lacking. But such has never been the defense of Consolidated; rather the appellee has contended that it is unable to pay because of the withhold orders of the United States of America.

There are many cases holding that where a debtor acknowledges the existence of the debt but contends that it is unable to pay because of the act of a third party, the bankruptcy court has summary jurisdiction to determine whether the admitted debtor is withholding payment under a tenable proposition of law. Such was the holding in *In re Capitaine* (D. C., Ed. N. Y., 1940), 31 Fed. Supp. 312. In that case the bankrupt asserted a claim against American-News but American-News was unwilling to pay because of a claim made upon it by one Lyons. When the trustee instituted a summary proceeding Lyons objected to the jurisdiction of the bankruptcy court, alleging that the bankrupt had previously assigned the account to him and that, therefore, he had a bona fide adverse claim which removed the cause from the jurisdiction of the bankruptcy court. The court found that the bankrupt had retained certain rights to this account and that, therefore, summary jurisdiction existed to determine the trustee's right to collect the funds from American-News.

Similarly, *In Matter of Goldman* (D. C., N. Y., 1933), 5 Fed. Supp. 973, the trustee instituted a summary proceeding to require one Rhodes to deliver certain shares of stock to the trustee, alleging that the shares were the property of the bankrupt estate. Rhodes held the stock pursuant to an escrow agreement between the bankrupt and others and, pursuant to a settlement agreement, the stock was to go to the bankrupt. The individuals who had given the stock to Rhodes had sought to rescind this agreement and had brought suit for that purpose in the state court; Rhodes, therefore, refused to relinquish the property to the trustee. The court held that there was summary jurisdiction in the bankruptcy court to order the turn-over of these shares of stock, stating:

“Property held for the bankrupt by another who makes no claim to it may be summarily collected by the bankruptcy court, despite the fact that third persons make claims adverse to the bankrupt. *Orinoco Iron Co. v. Metzler* (C. C. A., 6th Cir.), 36 Am. B. R. 247, 230 F. 40; *In re Hoey, Tilden & Co.*, 292 F. 269. See also *Buss v. Long Island Storage Warehouse Co.* (C. C. A., 2d Cir.), 23 Am. B. R. (N. S.) 66, 64 F. (2d) 338. This is on the theory that the bankruptcy court came into constructive possession of the property when the petition was filed, and as to property in its possession the court may determine the rights of claimants in summary proceedings. The shares of stock held by Rhodes for the bankrupt’s benefit have therefore been in the constructive custody of the court and subject to its orders since the commencement of the bankruptcy proceeding. Rhodes should be directed to deliver the property to the trustee. By the same token the persons who subsequently commenced suit in another court to obtain the property should be restrained. *O’Dell v. Boyden*

(C. C. A. 6th Cir.), 17 Am. B. R. 751, 150 F. 731; *In re Hoey* (C. C. A. 2d Cir.), 1 Am. B. R. (N. S.) 107, 290 F. 116. The custody of the bankruptcy court is prior in point of time and draws to that court all controversies over the property.”

In *Lahey v. Trachman* (C. C. A. 2, 1942), 130 F. 2d 748, 50 Am. B. R. (N. S.) 212, the court held that the bankruptcy court had summary jurisdiction to require the City of New York to turn over a sum to the trustee in bankruptcy, said sum representing a refund of an assessment. The City of New York made no claim to the moneys, merely desiring that they be transmitted to the correct person. Certain claimants alleged that they had rights in this fund and, therefore, contended that there was no summary jurisdiction in the bankruptcy court to order the turnover of the moneys. The court flatly stated, without discussion, that there was summary jurisdiction in the bankruptcy court since the City of New York laid no claim to an interest in these moneys.

A similar problem confronted a New York District Court in the recent case of *In re Engineers Oil Properties Corporation* (D. C., N. Y., 1947), 72 Fed. Supp. 989. There the debtor was the owner of several oil leases and was engaged in the business of drilling oil. The fee-owners of the land had a one-eighth interest in the oil and gas produced and there was, in addition, a one-eighth overriding royalty payable to various individual investors. A petition for reorganization was filed under Chapter X and the overriding royalty interests, mentioned above, were

cancelled. The oil had regularly been sold to the Texas Company which deducted the fee-owners' one-eighth royalty as well as the one-eighth overriding royalty and remitted the other three-quarters of the proceeds to the debtor; in view of the plan of reorganization, the Texas Company should have remitted the usual three-quarters of the proceeds plus the one-eighth overriding royalty, no longer to be paid. The Texas Company refused to do this and an order to show cause was brought against the Texas Company to show why it should not pay the debtor the money due. The Texas Company maintained that the bankruptcy court lacked the jurisdiction to order it to pay over the money. The ground upon which the Texas Company refused to pay over the overriding one-eighth royalty, was that the bankruptcy court had no jurisdiction to effect an overriding royalty since, under Texas law, such a royalty is an interest in land. The District Court held that there had been summary jurisdiction in the bankruptcy court to order the payment of the moneys. It reaffirmed the settled rule that "where property alleged to belong to bankrupt is in possession of a third party who is not claiming a beneficial interest in it either for himself or for another, the bankruptcy court has summary jurisdiction to order the third party to turn over the property. Remington on Bankruptcy, 4th Ed., Sec. 2388.65, p. 584; Collier on Bankruptcy, 14th Ed., Sec. 23.06, p. 478, N. 7."

Accordingly, Consolidated is similarly without any beneficial interest in the moneys owing to the bankrupt partnership herein. Consolidated, in fact, does not claim any

interest in these moneys for another. Consolidated simply takes the position that it cannot pay because of the letters sent to it by certain administrative agencies of the United States Government. The bankruptcy court had jurisdiction summarily to determine whether there was any basis for the withholding of these moneys by Consolidated.

See also:

In re Saybart Productions (C. C. A. 8, June 17, 1949), 175 F. 2d 15.

Finally, the District Judge has stated in his order [Tr. 68] that with respect to the amounts set forth on the two purchase orders, those claims are unliquidated because final approval of the Maritime Commission is required. These claims are liquidated as fully as they will ever be. It is quite apparent that all of the parties have agreed to the amounts of these claims [Tr. 31], and that the amounts stated in the stipulation are correct “unless the United States Maritime Commission should require further processing . . .” The United States Maritime Commission has never required further processing and, as evidenced by the withhold letters, refused to take any further action on these claims. The appellant is helpless in this situation and has done everything within his power to bring about a final auditing of the particular claims. If relief were to be denied, the trustee upon the ground that the claims have not finally been processed by the United States Maritime Commission, the net result would be that the Commission can refuse to process these claims and, therefore, defeat the collection thereof.

Conclusion.

The limited partnership bankrupt herein has satisfactorily completed its contracts with Consolidated and the latter has conceded that its books reflect the amounts owing to Consolidated and that payment is withheld because of the withhold letters. The arbitrary and unilateral action by certain government agencies has caused severe detriment to the innocent creditors of the bankrupt partnership. The Referee had the power to inquire into the extent of its own jurisdiction and to determine, upon all of the evidence, that the refusal of Consolidated to pay was based not upon a true adverse claim but, rather, upon a claim that was merely colorable. For the reasons stated herein, the refusal to pay has been and is without any proper legal or equitable basis whatsoever.

Appellant respectfully prays that this Court reverse the order of the District Court below with directions that the findings of fact, conclusions of law and order of the Referee in Bankruptcy be affirmed.

Dated this 4th day of December, 1950.

Respectfully submitted,

MARTIN GENDEL

Of Counsel for Appellant, Trustee in Bankruptcy.

No. 12624

IN THE

United States Court of Appeals

FOR THE NINTH CIRCUIT

GEORGE T. GOGGIN, as Trustee of the Estate of EUGENE
C. BRISBANE, Individually, and BRISBANE & COMPANY,
a Limited Partnership, Bankrupts,

Appellant,

vs.

CONSOLIDATED LIQUIDATING CORPORATION and UNITED
STATES OF AMERICA,

Appellees.

BRIEF OF APPELLEE, UNITED STATES OF
AMERICA.

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a Limited Partnership, Bankrupts,

Appellant,

vs.

CONSOLIDATED LIQUIDATING CORPORATION and UNITED
STATES OF AMERICA,

Appellees.

BRIEF OF APPELLEE, UNITED STATES OF
AMERICA.

I.

STATEMENT OF JURISDICTION.

The United States District Court had jurisdiction pursuant to Title 11, U. S. C., Section 11(10). The order of the Court below reversing the Referee's Order of April 12, 1949, was entered May 26, 1950 [Tr. 69]. Notice of Appeal was filed on June 14, 1950 [Tr. 70].

This Court has jurisdiction of the appeal under Section 47(a) of Title 11, U. S. C.

II.

STATUTORY PROVISIONS INVOLVED.

Sections 51 and 52, Title 41, U. S. C., commonly referred to as the Anti-Kickback Act, are set forth in the Appendix hereto.

Section 113(b) of Title 41, U. S. C., part of the Contract Settlement Act controlling the termination of war contracts provides:

“Whenever any war contractor is aggrieved by the findings of a contracting agency on his claim or part thereof or by its failure to make such findings in accordance with subsection (a) of this section, he may, at his election—

(1) appeal to the Appeal Board in accordance with subsection (d) of this section; or

(2) bring suit against the United States for such claim or such part thereof, in the Court of Claims or in a United States district court, in accordance with subsection (20) of Section 41 of Title 28, except that, if the contracting agency is the Reconstruction Finance Corporation, or any corporation organized pursuant to sections 601-617 of Title 15, or any corporation owned or controlled by the United States, the suit shall be brought against such corporation in any court of competent jurisdiction in accordance with existing law.”

III.

STATEMENT OF THE CASE.

Appellant in its Jurisdictional Statement (App. Br. 2-3) has adequately described the procedural steps below, and the Brief of Appellee, Consolidated Liquidating Corporation (hereinafter referred to as "Consolidated") contains an accurate and sufficiently complete statement of the pertinent facts and of the principal issues presented. The material there set forth is therefore adopted by this Appellee.

In an effort to avoid undue repetition, it is our purpose to devote this brief on behalf of the United States, so far as practicable, to matters and authorities not fully covered in the brief submitted by Consolidated. The brief of Consolidated necessarily deals with the same issues with which we are concerned and we therefore adopt and approve it in all respects, and respectfully request it be deemed a part of this brief to the extent applicable.

IV.
ARGUMENT.

A. The District Court Was Correct in Reversing the Order of April 12, 1949, Entered by the Referee in Bankruptcy, as Void for Want of Jurisdiction.

The Bankruptcy Court was without jurisdiction to determine the Trustee's claim to the property here involved and to enter the order of April 12, 1949, for at least two reasons, over and above the unliquidated nature of that part of the fund representing contract termination claims: (1) The proceedings were and are in effect a suit against the United States which Congress has not authorized to be brought; and (2) None of the elements permitting summary adjudication by a bankruptcy court of rights and claims to property was present. On either ground, the order of the Bankruptcy Court was void for want of jurisdiction and was correctly reversed by the District Court.

1. The Proceedings in the Bankruptcy Court Constitute an Unauthorized Suit Against the United States.

By virtue of the cost-reimbursable nature of the contracts existing between Consolidated and the United States any sums which Consolidated would be required to pay to the Trustee in Bankruptcy, would necessarily be paid by the United States. As soon as Consolidated would make payment of the claims here involved, the United States would become obligated to make like payment to Consolidated. It is thus apparent that any claim upon Consolidated, in the instant case, is in fact and in sub-

stance a claim upon the property and monies of the United States.

“A proceeding against property in which the United States has an interest is a suit against the United States * * *.”

Minnesota v. United States, 305 U. S. 382, 386.

See also:

The Siren, 7 Wall. (74 U. S.), 152 153-154;

Carr v. United States, 98 U. S. 433, 437-8;

United States v. Alabama, 313 U. S. 274, 282.

The same holds true where a judgment or order granting the relief sought would necessarily affect the property interest claimed by the United States.

Louisiana v. McAdoo, 234 U. S. 627;

Oregon v. Hitchcock, 202 U. S. 60.

It is axiomatic that such suit can only be maintained where there exists an express statutory waiver of the Government's immunity (*The Siren*, 7 Wall. 152, 153-154; *United States v. Sherwood*, 312 U. S. 584, 586; *Goldberg v. Daniels*, 231 U. S. 218, 221, 222), and there is no statute which vests jurisdiction over suits against the United States in courts of bankruptcy.

United States v. U. S. Fidelity Co., 309 U. S. 506, 512-514.

Accordingly, the Bankruptcy Court was without authority to make the order here involved. Said order, if sustained, would in reality be an order upon the Treasury of the United States. No statutory authority exists which permits such a suit against the United States. The Peti-

tion to Intervene filed by the United States, contrary to Appellant's contention (App. Br. 17), does not alter this situation and has no effect upon it. The sovereign immunity from suit is not waived and, indeed, cannot be waived, by such intervention. Intervention is frequently necessary, as in the instant case, so that the jurisdictional and other objections of the United States to a proposed proceeding may be fully and adequately presented to protect the Government's interest [Tr. 19-21].

2. The Proceedings in the Bankruptcy Court Constitute an Improper Exercise of Summary Jurisdiction.

The Supreme Court has enunciated the only factors which can give a court of bankruptcy jurisdiction to adjudicate, in a summary proceeding, rights and claims to property. Such jurisdiction exists only if (1) the property is in the actual or constructive possession of the bankruptcy court, or (2) the adverse claim is merely colorable or frivolous, or (3) the person asserting the claim adverse to the Trustee consents to its adjudication in the bankruptcy court. The corollary of this proposition is that if a person raises an objection to a summary proceeding with respect to property not in the bankruptcy court's possession, and his claim thereto is "substantial and ingenuous," the claimant is entitled to have the merits of the claim determined in a plenary suit, and not summarily.

These principles are announced in *Cline v. Kaplan*, 323 U. S. 97. The Supreme Court there said (323 U. S., at 98-99):

"A bankruptcy court has the power to adjudicate summarily rights and claims to property which is in the actual or constructive possession of the court. *Thompson v. Magnolia Co.*, 309 U. S. 478, 481. If

the property is not in the court's possession and a third person asserts a *bona fide* claim adverse to the receiver or trustee in bankruptcy, he has the right to have the merits of his claim adjudicated 'in suits of the ordinary character, with the rights and remedies incident thereto.' *Galbraith v. Valley*, 256 U. S. 46, 50; *Taubel-Scott-Kitzmilller Co. v. Fox*, 264 U. S. 426. But the mere assertion of an adverse claim does not oust a court of bankruptcy of its jurisdiction. *Harrison v. Chamberlain*, 271 U. S. 191, 194. It has both the power and the duty to examine a claim adverse to the bankrupt estate to the extent of ascertaining whether the claim is ingenuous and substantial. *Louisville Trust Co. v. Comingor*, 184 U. S. 18, 25-26. Once it is established that the claim is not colorable nor frivolous, the claimant has the right to have the merits of his claim passed on in a plenary suit and not summarily. Of such a claim the bankruptcy court cannot retain further jurisdiction unless the claimant consents to its adjudication in the bankruptcy court. *McDonald v. Plymouth County Trust Co.*, 286 U. S. 263."

In the instant case it is abundantly clear that even at the time the bankruptcy proceedings were instituted, and plainly when the Trustee's petition for an order to show cause was filed (1) the disputed property was not actually or constructively in the possession of the bankruptcy court; (2) the United States was asserting a substantial and *bona fide* claim of ownership of the property adverse to the Trustee in Bankruptcy [Tr. 61-64; 77-78]; and (3) that as such claimant the United States had not then, nor did it thereafter, actually or impliedly consent to a determination of title by the Bankruptcy Court, but, on the contrary, objected thereto prior to adjudication [Tr. 21-22].

(a) *The Bankruptcy Court Was Not in Actual or Constructive Possession of the Monies in Question.*

Prior to the filing of the Petition in Bankruptcy, the United States, pursuant to and in accordance with the provisions of Public Law 319, commonly and hereinafter referred to as the Anti-Kickback Act (41 U. S. C., Sec. 51), had directed the Consolidated Steel Corporation to withhold payments to the bankrupt herein [Tr. 61-64]. This direction prevented the creation of a fund in the usual sense. By this direction the United States prevented Consolidated Steel Corporation from creating a liability of the United States under Consolidated's cost-reimbursable contract with the United States.

Under these circumstances it cannot, in the first place, be said that there is or was a fund or property of which the bankruptcy court could be in actual or constructive possession. In addition, even assuming the existence of a fund in the usual sense of which possession could possibly be obtained, such fund, if in the possession of anyone, was, by virtue of its direction to withhold, actually or constructively in the possession of the United States.

(b) *The Adverse Claim Asserted by the United States Is Substantial and Bona Fide.*

We shall show hereinbelow that the claim of the United States to the monies in question derived from the provisions of the Anti-Kickback Act was valid against the Trustee and that the Bankruptcy Court erred in deciding otherwise. But for the purpose of the jurisdictional issue here raised it is sufficient that the claim of the United States was substantial and not merely "colorable or frivolous" (*Cline v. Kaplan*, 323 U. S. 97, 99). The claim of the United States to the monies involved is based

upon the provisions of the Anti-Kickback Act, a duly enacted, approved, and existing statute of the United States. Surely, under these circumstances, it cannot be said that the claim of the United States is in any sense frivolous or merely colorable.

(c) *The United States Did Not Consent to the Exercise of Jurisdiction by a Court of Bankruptcy.*

There is likewise absent here the only remaining basis for an exercise of summary jurisdiction to determine summarily the validity of an adverse claim to property—consent by the adverse claimant to such an adjudication. *Cline v. Kaplan*, 323 U. S. 97, 99. According to the *Cline* decision, such consent

“may be formally expressed, or the right to litigate the disputed claim by the ordinary procedure in a plenary suit * * * may be waived by failure to make timely objection” (323 U. S., at p. 99).

It is clear, however (1) that the bankruptcy court cannot infer consent to its jurisdiction where the United States is the adverse claimant, and (2) that in the circumstances of this case no waiver of the right to a plenary suit could be inferred even were a private litigant involved, as in *Cline v. Kaplan*.

(1) Only Congress Can Waive or Authorize Waiver of a Jurisdictional Defect.

As we have shown, the proceedings complained of constitute a suit against the United States to which Congress has not consented. It is clear that in the absence of an authorizing statute, the Government's immunity

from suits cannot be waived by acts or omissions of its officials.

United States v. U. S. Fidelity Co., 309 U. S. 506, 513;

Minnesota v. United States, 305 U. S. 382, 388-9;

Munro v. United States, 303 U. S. 36, 41;

Finn v. United States, 123 U. S. 227, 232-233;

Carr v. United States, 98 U. S. 433, 438;

Case v. Terrell, 11 Wall. (78 U. S.), 199, 202;

Otis Elevator Co. v. United States, 18 Fed. Supp. 87, 89 (S. D. N. Y. 1937);

United States v. Turner, 47 F. 2d 86, 88 (C. C. A. 8, 1931).

(2) There Was Timely Objection to the Adjudication by the Bankruptcy Court.

Apart from the sovereign status of the United States, it is clear that the Government made timely objections to the Bankruptcy Court's jurisdiction. Thus, Paragraph II of the Objections of United States to the Order to Show Cause duly filed in the instant proceedings at the outset of the hearing on the Order to Show Cause, recites in pertinent part [Tr. 22]:

“That the United States of America, prior to the institution of the within bankruptcy proceedings, had asserted a substantial and bona fide claim of ownership of the property involved adverse to the claim now asserted by the Trustee in Bankruptcy; that as such claimant the United States had not then, nor has it thereafter actually or impliedly consented to a determination of title thereto by the Bankruptcy Court but, on the contrary, has consistently objected thereto and now so objects; that the disputed property

was not, and is not now, actually or constructively in the possession of the Bankruptcy Court; that the issue of title to and ownership of said monies cannot properly be determined adversely to the United States in a summary proceeding by this Court, but can only be properly determined in a plenary proceeding duly authorized and filed in a court having jurisdiction; . . .”

The established rule recognizes the sufficiency and timeliness of objections to the exercise of summary jurisdiction if they are raised at any time prior to the entry of a final order.

Cline v. Kaplan, 323 U. S. 97, 99, 100;

Louisville Trust Co. v. Comingor, 184 U. S. 18, 26;

Galbraith v. Vallely, 256 U. S. 46, 49;

In re Gold Medal Laundries, 142 F. 2d 301, 302 (C. C. A. 7, 1944);

In re Bergstrom, 1 F. 2d 288, 290 (C. C. A. 7, 1924);

In re White Satin Mills, Inc., 25 F. 2d 313, 314-315 (D. Minn., 1928).

Since the Government's objections to the jurisdiction of the bankruptcy court were raised prior to the entry of any final order, it was timely under these authorities.

Appellant urges that the Referee in Bankruptcy had the power to inquire into his own jurisdiction (App. Br. 9-11). This is not disputed. It is the Referee's conclusion, after such preliminary inquiry, that he had summary jurisdiction under the facts of the instant case, which is, and from the outset has been disputed. Nor do the authorities cited by Appellant aid him (App. Br. 18-22). Singularly, the lead-

ing case on the subject of summary jurisdiction of a court of bankruptcy, namely, *Cline v. Kaplan*, 323 U. S. 97, is nowhere mentioned or referred to in Appellant's Brief, although the District Court relied principally upon that decision in reversing the Referee's order of April 12, 1949.

In re Captaine, 31 Fed. Supp. 312 (E. D. N. Y., 1940), (App. Br. 18) deals with a factual situation bearing no relation to that present in the instant cause. There the Court held that the bankruptcy court had summary jurisdiction over certain funds because a purported assignment by the bankrupt to a creditor of these funds due the bankrupt from a third party provided that the creditor was not to notify the third party of the assignment unless the bankrupt failed to meet a note at maturity. This provision rendered the assignment void as against the Trustee in Bankruptcy, gave control of the funds to the bankrupt, and hence summary jurisdiction to the bankruptcy court. None of the controlling factors present there are present in this case.

The statement of the Court in *In re Goldman*, 5 Fed. Supp. 973, 974 (S. D. N. Y., 1933) (App. Br. 19), demonstrates the absence of any similarity between that case and this: "The case then is one where property was held in escrow for the bankrupt at the time when the petition was filed and where subsequently other persons commenced a suit in the state court setting up an equitable right to the property as against the bankrupt." In the instant case, there was no escrow, no money being held for the bankrupt at the time the petition was filed and no suit based upon equitable rights. On the contrary, at the time the petition in bankruptcy was filed the fund, if any, was being held for the United States, whose claim was based upon the express terms of an existing statute.

Lahey v. Trachman, 130 F. 2d 748 (C. C. A. 2, 1942) (App. Br. 20), dealt with a refund of certain assessments under local law by the City of New York. The Court pointed out that the (p. 749) "interpretation of the law is the substantial issue in the case." Once the Court determined that the bankrupt was the person entitled to receive the refund check under the particular terms of the local law, control of the money passed to the bankrupt. With such control in the bankrupt, the bankruptcy court acquired summary jurisdiction to determine adverse claims to the money. For the reasons adverted to by the District Court in its opinion and those set forth in this brief control of the monies here involved never passed to the bankrupt.

In re Engineers Oil Properties Corporation, 72 Fed. Supp. 989 (S. D. N. Y., 1947), is wholly unlike the case at bar. There the Texas company appeared as a disinterested stake holder claiming no beneficial interest in the monies either for itself or anyone else. Consolidated has not taken this position. Moreover, there the principal objection raised was that the overriding royalty interest was an interest in land under Texas law and that the bankruptcy court was therefore without jurisdiction over the subject matter.

In view of the foregoing the District Court in reversing the Referee's order of April 12, 1949, properly concluded that [Tr. 69]:

" . . . both Consolidated and the United States are entitled to have their rights adjudicated in suits of ordinary character with the rights and remedies incident thereto, unless they have both consented to the summary jurisdiction of the Referee. The United States saved consent by timely objection. The record is not here which shows Consolidated's response, but it is indicated in the briefs that Consolidated also ob-

jected to the jurisdiction and did not consent. But whether the latter is true or not, *the United States, being the adverse claimant to the ultimate right to the money, and having made such objection, removes the whole matter from the summary jurisdiction of the Bankruptcy Court.*" (Emphasis supplied.)

B. The Anti-Kickback Act Is Valid and Constitutional and Has Been Fully Complied With by the United States.

The Referee in Bankruptcy, in order to arrive at the conclusion contained in his order of April 12, 1949, was required, despite statements disclaiming such an intention [Tr. 101, 57] to hold the Anti-Kickback Act unconstitutional, for it is upon this statute that the Government's bona fide claim to the monies in question is based. This statute, in terms, stands squarely in the path of the Referee's decision.

The Referee took three positions with respect to the Anti-Kickback Act:

- (1) That the statute represents an unauthorized exercise of Congressional authority and is unconstitutional for the reason that no method is provided in said legislation whereby the rights of creditors of a subcontractor who has violated the statute may be determined [Tr. 55];
- (2) That the United States has not complied with the provisions of the statute [Tr. 55]; and
- (3) That the statute has no application in view of the segregation order of December 22, 1947, of the Bankruptcy Court [Tr. 56-7].

None of these positions, it is respectfully submitted, was well taken.

1. The Anti-Kickback Act Is Valid and Constitutional.

The constitutional objection raised by the Referee is stated in the Certificate as follows [Tr. 55]:

“. . . the statute itself does not provide any court or forum wherein creditors of the sub-contractor involved could present their claims in order to determine whether or not the Government was validly acting pursuant to the provisions of the Anti-Kickback Act, and other related questions. In other words, the statute itself does not appear to be sufficiently implemented to meet the constitutional provisions involving due process of law.”

If this is taken to mean simply that the statute does not specifically designate a particular tribunal for the determination of controversies arising under the statute, then the contention is wholly without merit, for there are countless statutes duly and validly enacted by Congress, creating rights and powers in the Government which contain no such provision. What is probably meant is that the statute affords no remedy against the United States to determine the validity of its withholding action authorized by the statute.

It is well established that a sovereign need not provide either judicial or administrative remedies against itself. It requires no citation of authority to show that in numerous situations today and in the past situations arise in which individuals would have a claim which they could litigate if it were against an individual, but which they are powerless to assert because it is against the United States. Prior to the enactment of the Federal Tort Claims Act (28 U. S. C. 921) the United States could not be sued directly for injuries arising out of the negligence of its employees.

Prior to the enactment of the Tucker Act the United States could be sued upon contract claims only in the Court of Claims in Washington, D. C. Even under the Tucker Act the jurisdiction of the United States District Courts is limited in suits of this character (28 U. S. C. 1346), and before the enactment of the Court of Claims Act no suit upon contract could be brought against the United States unless within the purview of some special statute by which the United States consented to be sued. It is thus not unusual under our system of law that a person may be unable to find a forum for the assertion of a claim against the United States.

As the Supreme Court declared in the leading case of *Lynch v. United States*, 292 U. S. 571, 580-581:

“Contracts between individuals or corporations are impaired within the meaning of the Constitution whenever the right to enforce them by legal process is taken away or materially lessened. A different rule prevails in respect to contracts of sovereigns. * * * ‘The contracts between a Nation and an individual are only binding on the conscience of the sovereign and have no pretensions to compulsive force. They confer no right of action independent of the sovereign will.’ The rule that the United States may not be sued without its consent is all embracing.

* * * * *

* * * For consent to sue the United States is a privilege accorded; not the grant of a property right protected by the Fifth Amendment. The consent may be withdrawn, although given after much deliberation and for a pecuniary consideration. * * * The sovereign’s immunity from suit exists whatever the

character of the proceeding or the source of the right sought to be enforced. It applies alike to causes of action arising under acts of Congress * * * and to those arising from some violation of rights conferred upon the citizen by the Constitution. * * *

* * * When the United States creates rights in individuals against itself, it is under no obligation to provide a remedy through the courts. * * * It may limit the individual to administrative remedies * * * And withdrawal of all remedy, administrative as well as legal, would not necessarily imply repudiation. So long as the contractual obligation is recognized, Congress may direct its fulfillment without the interposition of either a court or an administrative tribunal.”

To the same effect:

United States v. Babcock, 250 U. S. 328;

Dismuke v. United States, 297 U. S. 167;

Maricopa County v. Valley National Bank of Phoenix, 318 U. S. 357.

It is apparent from the foregoing that the United States is not constitutionally required to provide a judicial or administrative remedy against itself. But this is not to be taken as in any way conceding that there is no judicial or administrative avenue open to the Trustee. What is clear, however, as the Court below held, is that the summary procedure of the bankruptcy court is, under the controlling decisions, not the appropriate course and cannot properly be utilized here.

2. The Requirements of the Anti-Kickback Act Have Been Fully Complied With by the United States.

The Certificate of the Referee declares [Tr. 55]:

“It does not appear to the undersigned Referee that the provisions of the Anti-Kickback Act have been sufficiently complied with by the United States of America to entitle the Bankruptcy Court to determine that the United States of America has any adverse claim to the monies in question;”

There is nothing in the Certificate to indicate in what respect, if any, the United States has failed to comply with the requirements of the statute. As a matter of fact, the requirements laid down in the Act are plain and direct, and, as the Record establishes, have been fully complied with by the United States [Tr. 61-64].

All that the United States is required to do in order to obtain the benefit of the set-off remedy given the United States by the statute is contained in the following provision:

“Upon the direction of the contracting department or agency or of the General Accounting Office, the prime contractor shall withhold from sums otherwise due a subcontractor any amount reported to have been found to have been paid by a subcontractor as a fee, commission, or compensation or as a gift or gratuity to an officer, partner, employee, or agent of the prime contractor or another higher tier subcontractor.”

As the Record shows [Tr. 61-64], and as Paragraph V of the Referee's Findings of Fact declares [Tr. 49], both the contracting agency, namely, the United States Maritime Commission, on June 12, 1946, and the General Accounting Office, on May 19, 1947, “pursuant to the pro-

visions of Title 41, U. S. C., Sec. 51", directed Consolidated to withhold payment of the monies involved to the subcontractor, Brisbane & Company. This is what the statute requires, and this is what was done, the direction from the United States Maritime Commission coming almost a month before the commencement of the within bankruptcy.

3. The Segregation Order of December 22, 1947, Does Not Affect the Remedy Given the United States by the Anti-Kickback Act.

The Anti-Kickback Act gives the United States a direct and effective remedy against those who seek to cheat and defraud it by payments or "kickbacks" to persons in a position to award business ultimately paid for by the Government. The United States, since it is the one defrauded, is placed by the statute—and properly so—in a preferred position so that, if at all possible, it may be made whole. The Referee [Tr. 56-7] sought to escape entirely the operation of the statute and defeat the preferred position accorded the United States by Congress in this Act, by virtue of the segregation in the bankruptcy of the assets of Brisbane & Company, a limited partnership (in which Eugene C. Brisbane was the only general partner [Tr. 11]) from the assets of Eugene C. Brisbane personally, and relegating the United States to a claim upon the non-existent personal assets of Eugene C. Brisbane. Appellant urges the same proposition (App. Br. 11-16). Neither the language nor obvious purpose and intent of the Anti-Kickback Act will permit the remedy there given the United States to be frustrated and defeated in this manner.

The Anti-Kickback Act provides that upon appropriate direction of the United States, the prime contractor is

required to withhold from sums otherwise due a subcontractor any amount reported to have been found to have been paid by a subcontractor contrary to the statute. Appropriate direction was given the prime contractor, Consolidated Steel Corporation, directing the withholding from various subcontractors, *including Brisbane & Company*, amounts reported to have been paid by such subcontractors contrary to the Act. The appropriate direction having been given reporting the appropriate findings required to bring the withholding provisions of the statute into operation—and prior to the commencement of any bankruptcy proceedings whatever—it is apparent that a subsequent order in bankruptcy making a distinction for bankruptcy purposes between the assets of the limited partnership and of Brisbane individually, can have no effect upon the remedy given the United States by the statute.

Dispelling any vestige of doubt is the fact that the second section of the statute (41 U. S. C. Sec. 52), defining the various terms employed in the statute specifically defines “subcontractor” as any person, corporation, partnership, or business association of any kind, and defines “person” as any subcontractor, corporation, association, trust, joint-stock company, partnership, or individual. The statute is all embracing and was designed to prevent the frustration of its purposes by any device distinguishing between individuals and various forms of business organization. Otherwise, how easy it would be to defeat the expressed intent of Congress by a simple distinction between an individual and the firm or company which he owns, or on whose behalf he acts. This is the use to which the segregation order of December 22, 1947, is attempted to be put and what the statute itself plainly prevents.

C. The Bankruptcy Court Was Without Jurisdiction to Direct the Payment of Unliquidated Termination Claims.

The order of April 12, 1949, directs Consolidated Liquidating Corporation forthwith to pay to George T. Goggin, as Trustee in the within bankruptcy proceeding, the sum of \$26,484.29 [Tr. 50]. Of this sum \$6093.47 derives from termination claims arising under two purchase orders held by Brisbane & Company [Tr. 49, 75-77]. But, as the Referee's Certificate [Tr. 54] itself expressly declares this total of the two termination claims is "subject to possible further processing" by the United States Maritime Commission. Paragraph II of the Referee's Findings of Fact upon which the order of April 12, 1949, was purportedly based also qualifies this alleged obligation as "subject to the possible requirement of the United States Maritime Commission of further processing . . ." [Tr. 49]. The order is therefore in conflict with the Findings of Fact upon which it is stated to be based.

It is thus plain that the order of April 12, 1949, was and is erroneous in that \$6093.47 of the amount said order directs Consolidated Liquidating Corporation to pay to the said Trustee in Bankruptcy is not a liquidated amount owing by Consolidated Liquidating Corporation to the bankrupt, but, as said order shows on its face, is merely a tentative balance arising from the termination of certain purchase orders and is subject to the possible requirement of the United States Maritime Commission of further processing to determine the precise balance, if any. The determination of such balance is within the jurisdiction of the United States Maritime Commission, and is not within the jurisdiction of the Bankruptcy Court. (Section 13, Contract Settlement Act of 1944, 41 U. S. C. 113(b).)

Conclusion.

For the foregoing reasons the judgment of the District Court reversing the order of April 12, 1949, entered by the Referee should be affirmed.

Respectfully submitted,

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APPENDIX.

Sections 51 and 52, Title 41, U. S. C.

§51. *Fees or kick-backs by subcontractors on cost-plus-a-fixed-fee or cost reimbursable contracts; recovery by United States; conclusive presumptions; withholding of payments.*

The payment of any fee, commission, or compensation of any kind or the granting of any gift or gratuity of any kind, either directly or indirectly, by or on behalf of a subcontractor, as defined in section 52 of this title, (1) to any officer, partner, employee, or agent of a prime contractor holding a contract entered into by any department, agency, or establishment of the United States for the furnishing of supplies, materials, equipment or services of any kind whatsoever, on a cost-plus-a-fixed-fee or other cost reimbursable basis; or to any such prime contractor or (2) to any officer, partner, employee, or agent of a higher tier subcontractor holding a subcontract under the prime contract, or to any such subcontractor either as an inducement for the award of a subcontract or order from the prime contractor or any subcontractor, or as an acknowledgment of a subcontract or order previously awarded, is hereby prohibited. The amount of any such fee, commission, or compensation or the cost or expense of any such gratuity or gift, whether heretofore or hereafter paid or incurred by the subcontractor, shall not be charged, either directly or indirectly, as a part of the contract price charged by the subcontractor to the prime contractor or higher tier subcontractor. The amount of any such fee, cost, or expense shall be recoverable on behalf of the United States from the subcontractor or the recipient thereof by set-off of moneys otherwise owing to the subcontractor either directly

by the United States, or by a prime contractor under any cost-plus-a-fixed-fee or cost reimbursable contract, or by an action in an appropriate court of the United States. Upon a showing that a subcontractor paid fees, commissions, or compensation or granted gifts or gratuities to an officer, partner, employee, or agent of a prime contractor or of another higher tier subcontractor, in connection with the award of a subcontract or order thereunder, it shall be conclusively presumed that the cost of such expense was included in the price of the subcontract or order and ultimately borne by the United States. Upon the direction of the contracting department or agency or of the General Accounting Office, the prime contractor shall withhold from sums otherwise due a subcontractor any amount reported to have been found to have been paid by a subcontractor as a fee, commission, or compensation or as a gift or gratuity to an officer, partner, employee, or agent of the prime contractor or another higher tier subcontractor. (Mar. 8, 1946, c. 80, § 1, 60 Stat. 37.)

§ 52. *Same; definitions.*

For the purpose of sections 51-54 of this title, the term "subcontractor" is defined as any person, including a corporation, partnership, or business association of any kind, who holds an agreement or purchase order to perform all or any part of the work or to make or to furnish any article or service required for the performance of a cost-plus-a-fixed-fee or cost reimbursable contract or of a subcontract entered into thereunder, and the term "person" shall include any subcontractor, corporation, association, trust, joint-stock company, partnership, or individual. (Mar. 8, 1946, c. 80, §2, 60 Stat. 38.)

No. 12624

IN THE

United States Court of Appeals

FOR THE NINTH CIRCUIT

GEORGE T. GOGGIN, as Trustee of the Estate of Eugene C. Brisbane, Individually, and Brisbane & Company, a Limited Partnership, Bankrupts,

Appellant,

vs.

CONSOLIDATED LIQUIDATING CORPORATION and UNITED STATES OF AMERICA,

Appellees.

BRIEF FOR APPELLEE CONSOLIDATED LIQUIDATING CORPORATION.

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BRIEF FOR APPELLEE CONSOLIDATED LIQUIDATING CORPORATION.

I.

Jurisdictional Statement.

The Appellee Consolidated Liquidating Corporation (hereinafter called "Consolidated") accepts the Jurisdictional Statement contained in Appellant's Opening Brief. (App. Op. Br. pp. 2-3.)

II.

Statement of the Case.

Appellant, trustee in bankruptcy of the Estate of Brisbane & Company, on March 31, 1948, obtained from Referee Hugh L. Dickson an order to show cause against Consolidated, praying that Consolidated pay to the Trustee any money owed to Brisbane & Company. [Tr. 17-18.]

The United States intervened, objecting to the summary jurisdiction of the Referee and urging that the

United States had lawfully appropriated the account in dispute in accordance with the provisions of the Anti-Kickback Act, P. L. 319, 79th Cong. 2nd Sess., 41 U. S. C. A. 51, 52. [Tr. 19-23.] The position of the United States on the merits was that such appropriation by the United States of the account upon which the Trustee was suing was a complete bar to the order to show cause. [Tr. 21-22.]

Consolidated and the United States appeared before the Referee through counsel upon the date set for hearing upon the order to show cause. Consolidated immediately offered the Referee a "Memorandum of Points and Authorities" [Tr. 23-31], acceptance of which was deferred by the Referee until shortly before the conclusion of the hearing. [Tr. 73-74.]

The Trustee called as his witness Mr. Robert M. Crawford, an accountant employed by Consolidated. Mr. Crawford testified that Consolidated's accounting records showed the sum of \$20,390.82 accrued to Brisbane & Company upon open account [Tr. 75], and certain further sums, tentatively ascertained by preliminary audit but never approved for payment by appropriate governmental officials, as owing to Brisbane & Company on claims arising from termination of two subcontracts. [Tr. 76, 81-84.] Mr. Crawford testified that, in so far as he knew, the reason why "the money" (presumably the money accrued upon open account) had not been paid to Brisbane & Company was that Consolidated had been ordered not to pay it by two letters, which were introduced in evidence [Tr. 61-64], from the United States Maritime Commission and the United States General Accounting Office, respectively. Mr. Crawford also testified that his duties at Consolidated were concerned with accounting and that he

did not know whether Consolidated had any other reason for withholding any money from Brisbane & Company. [Tr. 85-86.]

After the conclusion of Mr. Crawford's testimony, the hearing became a rather informal discussion among counsel for Consolidated, counsel for the United States, counsel for the trustee, and the Referee. [Tr. 88-101.] Toward the conclusion of this discussion, counsel for Consolidated unsuccessfully sought permission to argue its defenses to the trustee's claim, these defenses being based upon alleged fraud and upon the orders of the United States Maritime Commission and the United States General Accounting Officer under the Anti-Kickback Act. [Tr. 101-102.] However, Consolidated was permitted to file and did file its "Memorandum of Points and Authorities" with the Referee. This "Memorandum of Points and Authorities" was in fact a document in which Consolidated objected to the summary jurisdiction of the Referee and set out both the facts and the law upon which it relied in refusing to recognize that it owed anything to the trustee or Brisbane & Company. The position taken by Consolidated in this Memorandum was as follows:

(1) That Consolidated asserted substantial defenses to the trustee's claim; that, therefore, the trustee's claim could not be decided within the summary jurisdiction of the Referee, and that Consolidated demanded and was entitled to a plenary hearing [Tr. 30];

(2) That any claim of Brisbane & Company against Consolidated had been extinguished by lawful action of the United States Government under the Anti-Kickback Act, 41 U. S. C. A. 51, 52 [Tr. 25];

(3) That such part of the trustee's claim against Consolidated as was asserted to arise under terminated subcontracts was unliquidated [Tr. 25-26]; and

(4) That Consolidated, under ordinary principles of the law of fraud, had a good defense to the trustee's claim and was entitled to a set-off in an amount sufficient to present a complete bar to the claims of the trustee, as successor to the assets of Brisbane & Company [Tr. 27-30].

Notwithstanding the above-mentioned objections by Consolidated, the Referee nearly one year later made findings of fact, conclusions of law and an order thereon to the effect that Consolidated owed the trustee \$20,390.82 on an open book account and further sums of \$1,370.72 and \$4,722.75, "subject to the possible requirement of the United States Maritime Commission of further processing," and to the further effect that neither Consolidated nor the United States had "any substantial *bona fide* adverse claim in and to the said moneys" and that Consolidated should pay the sum of \$26,484.29 to the trustee forthwith. [Tr. 47-50.]

Both Consolidated and the United States filed petitions for review of the order of the Referee, and the reviewing District Judge, the Honorable Peirson M. Hall, reversed the order. [Tr. 67-69.] The District Judge concluded that objections to the summary jurisdiction of the Referee were properly made and that both Consolidated and the United States had *bona fide* adverse claims which were "not spurious, colorable or frivolous" and that, therefore, both Consolidated and the United States were entitled to have their rights adjudicated in suits of ordinary character and not in summary proceedings. [Tr. 68-69.] As an additional ground for reversal, the District Judge

also decided that an unliquidated money claim could not be collected by the trustee in summary proceedings and that the claim in question was unliquidated because the party having actual possession contested it [Tr. 67], and because “of the provisions of the Termination of War Contracts Act (41 U. S. C. A. 101), under which final approval of the Maritime Commission of the amounts due Brisbane would have to be had before such claim could be considered as liquidated.” [Tr. 68.]

III.

Summary of Argument.

A. A TRUSTEE MAY NOT ENFORCE A RESISTED MONEY CLAIM WITHIN THE SUMMARY JURISDICTION OF A COURT OF BANKRUPTCY.

B. A COURT OF BANKRUPTCY DOES NOT HAVE SUMMARY JURISDICTION TO RULE UPON A CLAIM TO PROPERTY PRESENTED BY A TRUSTEE AND DISPUTED BY A DEFENDANT IN POSSESSION, WHERE THE DISPUTE INVOLVES SUBSTANTIAL QUESTIONS OF EITHER FACT OR LAW. EVEN IF THE TRUSTEE'S MONEY CLAIM HEREIN WERE TREATED LIKE A DISPUTED CLAIM TO PROPERTY, IT COULD NOT BE ENFORCED WITHIN THE SUMMARY JURISDICTION OF THE REFEREE BECAUSE THE DISPUTE HEREIN INVOLVED SUBSTANTIAL QUESTIONS OF BOTH FACT AND LAW.

C. TIMELY OBJECTION WAS MADE TO THE SUMMARY JURISDICTION OF THE REFEREE HEREIN.

D. ON THE MERITS, CONSOLIDATED HAS A VALID DEFENSE BASED UPON THE ANTI-KICKBACK ACT.

E. EVEN IF THE RIGHT TO EXERCISE SUMMARY JURISDICTION HAD EXISTED, IT WOULD HAVE BEEN AN ABUSE OF DISCRETION ON THE PART OF THE REFEREE HEREIN NOT TO HAVE ORDERED THAT THE DISPUTE HEREIN BE DECIDED IN A PLENARY PROCEEDING.

IV.

ARGUMENT.

A. A Trustee May Not Enforce a Resisted Money Claim Within the Summary Jurisdiction of a Court of Bankruptcy.

Resisted money claims, as distinguished from claims to ownership of property, may not be enforced within the summary jurisdiction of a court of bankruptcy, regardless of whether or not the resistance is based upon merely colorable or upon substantial defenses.

In re Roman, 23 F. 2d 556 (C. C. A. 2d, 1928);

In re Eakin, 154 F. 2d 717 (C. C. A. 2, 1946);

Kelley v. Gill, 245 U. S. 116 (1917);

In re Italian Cook Oil Corporation, 91 Fed. Supp. 73 (D. C. N. J. 1950)).

The case of *In re Roman, supra*, 23 F. 2d 556 (C. C. A. 2, 1928), is precisely in point. The opinion was by Judge Learned Hand. Consolidated submits that the logic and authority of that opinion, too lengthy to set out here, compels affirmance of the decision of the District Judge below. No contrary authority has been found in the decisions of the United States Court of Appeals for the Ninth Circuit or in the decisions of the United States Supreme Court, and the case has never been criticized by any federal court. Further, the rule in the case of *In re Roman, supra*, is unqualifiedly reported as the law in the leading treatise on bankruptcy law. (*Collier on Bankruptcy*,

14th ed., Sec. 23.05, p. 481.) Moreover, the Supreme Court of the United States, in one of its most recent discussions of summary jurisdiction, citing the case of *In re Roman, supra*, has reaffirmed the principle that (although a trustee's claims to property may be enforced within the summary jurisdiction of a court of bankruptcy if adverse claims are merely colorable), a trustee may in no event enforce a mere chose in action within the summary jurisdiction of a court of bankruptcy.

“Where Secs. 60(b), 67(e) and 70(e) were not involved, the Bardes rule continued to be applied where plenary proceedings were required, as in cases relating to property adversely held and suits upon choses in action belonging to the bankrupt's estate. [Citing *In re Roman, supra*.] Left for summary disposition under Sec. 2 were those proceedings in which the controversy related to property in the possession or constructive possession of the court or to property held by those asserting no truly adverse claim.” (*Williams v. Austrian*, 331 U. S. 642, 651 (197).)

B. A Court of Bankruptcy Does Not Have Summary Jurisdiction to Rule Upon a Claim to Property Presented by a Trustee and Disputed by a Defendant in Possession, Where the Dispute Involves Substantial Questions of Either Fact or Law. Even if the Trustee's Money Claim Herein Were Treated Like a Disputed Claim to Property, It Could Not Be Enforced Within the Summary Jurisdiction of the Referee Because the Dispute Herein Involved Substantial Questions of Both Fact and Law.

Principles of law which would govern this appeal even if Consolidated's position as hereinabove set out were ignored are well established and have recently been succinctly stated by the United States Supreme Court:

“A bankruptcy court has the power to adjudicate summarily rights and claims to property which is in the actual or constructive possession of the court. *Thompson v. Magnolia Petroleum Co.*, 309 U. S. 478, 481, 84 L. Ed. 876, 879, 60 S. Ct. 628, 42 Am. Bankr. Rep. (N. S.) 216. If the property is not in the court's possession and a third person asserts a *bona fide* claim adverse to the receiver or trustee in bankruptcy, he has the right to have the merits of his claim adjudicated ‘in suits of the ordinary character, with the rights and remedies incident thereto.’ *Galbraith v. Valley*, 256 U. S. 46, 50, 65 L. Ed. 823, 824, 41 S. Ct. 415, 46 Am. Bankr. Rep. 553; *Taubel-Scott-Kitzmiller Co. v. Fox*, 264 U. S. 426, 68 L. Ed. 770, 44 S. Ct. 396, 2 Am. Bankr. Rep. (N. S.) 912. But the mere assertion of an adverse claim does not oust a court of bankruptcy of its jurisdiction. *Harrison v. Chamberlin*, 271 U. S. 191, 194, 70 L. Ed. 897, 899, 46 S. Ct. 467, 7 Am. Bankr. Rep. (N. S.) 719. It has both the power and the duty to examine a claim adverse to the bankrupt estate

to the extent of ascertaining whether the claim is ingenuous and substantial. *Louisville Trust Co. v. Comingor*, 184 U. S. 18, 25, 26, 46 L. Ed. 413, 416, 22 S. Ct. 293, 7 Am. Bankr. Rep. 421. Once it is established that the claim is not colorable nor frivolous, the claimant has the right to have the merits of his claim passed on in a plenary suit and not summarily . . .” (*Cline v. Kaplan*, 323 U. S. 97, 98 (1944).)

An adverse claim by a third party in possession is colorable only “if on its face . . . made in bad faith and without any legal justification.” On the other hand, an adverse claim is substantial, so as to deprive the bankruptcy court of summary jurisdiction

“when the claimant’s contention discloses a contested matter of right involving some fair doubt and reasonable room for controversy . . . in matters either of fact or law; and it is not to be held merely colorable unless the preliminary inquiry shows that it is so unsubstantial and obviously insufficient, either in fact or law, as to plainly be without color of merit, and a mere pretense.” (*Harrison v. Chamberlin*, 271 U. S. 191, 194, 195 (1926).)

Appellant’s Opening Brief conveys an erroneous impression when it cites cases for the proposition that

“the bankruptcy court has the power to examine into claims in order to determine whether they are merely colorable or rest upon an untenable proposition of law.” (App. Op. Br. p. 11.)

Even though a claim were to be eventually decided to rest solely upon an untenable proposition of law it could not be adversely determined within the summary jurisdiction of the bankruptcy court if the claimant's contention "disclosed some fair doubt and reasonable room for controversy . . ." as to the validity of such proposition of law. (*Harrison v. Chamberlin, supra*, 271 U. S. 191, 194, 195 (1926).) The cases cited by Appellant on page 11 of his Opening Brief do not purport to sustain any contrary proposition but merely involve claims concerning which it was, in fact, perfectly clear that no fair doubt and reasonable room for controversy existed on any matter of fact or law.

Applying the above-stated principles of law to this appeal it is evident that the Referee erred in deciding that the defenses raised by Consolidated to the claim of the trustee herein were not substantial and that the trustee could assert his claim in a summary proceeding, and it is likewise evident that the District Judge below was correct in reversing the Referee upon the ground that no summary jurisdiction existed.

Consolidated urged before the Referee the defense of fraud [Tr. 93, 101, 27-30], and the defense that the claim of the trustee had been appropriated by lawful action of the United States Government, leaving Consolidated not indebted to Brisbane & Company and leaving the trustee to assert his demands only against the United States [Tr. 101-102, 25-27]. The trustee, of course, would have the burden of proving that these defensive claims were only colorable in the sense that they were, on their face, made in bad faith and without legal justification and did not involve any fair doubt of reasonable room for con-

troversy. This follows because the trustee carries the burden of proof on contested jurisdictional issues.

Wuchner v. Goggin, 175 F. 2d 261 (C. C. A. 9, 1949);

City of Long Beach v. Metcalf, 103 F. 2d 483 (C. C. A. 9, 1939).

If the trustee could not prove such bad faith and absence of reasonable room for controversy on the part of Consolidated in urging the defenses, there would be no possible basis for summary jurisdiction. The record is absolutely barren of any evidence which could conceivably be sufficient to enable the trustee to carry this burden of proof and to sustain the summary jurisdiction of the Referee.

Consolidated's defense of fraud included the contention that Consolidated had a set-off defense in excess of the amount claimed because Brisbane & Company, in form a limited partnership in which Eugene Charles Brisbane was the sole general partner, had received excessive prices under its sub-contracts with Consolidated by virtue of Brisbane's collusion with Consolidated's purchasing agent, Mr. William McBurney. [Tr. 27-30.]

The record shows that Mr. Tobias Klinger, the Assistant United States Attorney who successfully prosecuted a criminal case against McBurney and Brisbane based upon a conspiracy to defraud the United States (which indirectly bore the burden of frauds practiced upon Consolidated because of the existence of cost-plus contracts between Consolidated and the United States), stated at the hearing before the Referee that the evidence in the criminal case showed that McBurney, who was Consolidated's purchasing agent, received large payments from Brisbane for ar-

ranging that Consolidated's orders be distributed to a group including Brisbane & Company under "fictitious and collusive bidding arrangements." [Tr. 89.] This statement may be hearsay if offered as proof of the matter asserted but it is weighty evidence on the jurisdictional question at issue, that is, whether Consolidated has reasonable grounds for believing that it has a set-off defense, based upon fraud, and is not urging such defense of fraud in frivolity and bad faith. Objections to the summary jurisdiction of a Referee are often necessarily and properly based upon affidavits or other similar hearsay matter which show that the defendant has reason to believe that he has a defense to the claim of the trustee.

The record also shows that the United States Maritime Commission has informed Consolidated that testimony in open court in the successful criminal prosecution of Brisbane and Consolidated's purchasing agent, McBurney, showed that McBurney "received through Brisbane a total of between \$60,000 and \$67,000 from the following sub-contractors of Consolidated Steel Corporation named in the indictment:

<i>Defendant</i>	<i>Company</i>
Eugene Charles Brisbane	<i>Brisbane & Company</i> '
[Tr. 63.] (Emphasis added.)	

In view of the above-mentioned indications in the record alone, it is evident that Consolidated has every reason to believe that Brisbane & Company over an extended period both participated in and benefited from a fraudulent and dishonest scheme whereunder Consolidated's purchasing agent was bribed to place orders, under collusive bidding arrangements, with Brisbane & Company and other sub-contractors. Moreover, Consolidated has every reason to

believe that the very subcontracts upon which the trustee bases his claim were obtained from Consolidated by fraud and collusion on the part of Brisbane & Company. On the other hand, the only evidence presented by the trustee at the hearing before the Referee in his attempt to prove that Consolidated's fraud defense was only colorable was the fact that one of Consolidated's accountants did not know anything about a fraud defense, one way or another, because such matters were not handled in the accounting department. [Tr. 80, 86.]

Faced with this situation in the record, Appellant has sought in his Opening Brief to create the impression that a court of bankruptcy has summary jurisdiction to overturn any defense unless the party raising such defense to an order to show cause introduces elaborate evidence affirmatively showing that the defense is good on the merits. As has been hereinabove shown, the true rule is that an adverse claim, by its mere assertion, provides a contested jurisdictional issue and thus deprives the bankruptcy court of summary jurisdiction unless the trustee proves that the claim is made in bad faith and does not disclose a contested matter of right involving some fair doubt and reasonable room for controversy in matters either of fact or law.

Wuchner v. Goggin, supra, 175 F. 2d 261 (C. C. A. 9, 1949);

Harrison v. Chamberlin, supra, 271 U. S. 191, 194, 195 (1926).

Consolidated submits that the record shows that the trustee has not sustained any such burden of proof in connection with Consolidated's fraud defense and that, on the contrary, the record contains ample evidence that Con-

solidated has valid reason to believe that its fraud defense is sound and that, on this ground alone, Consolidated is not indebted to Brisbane & Company or its trustee in bankruptcy.

The Opening Brief of the Appellant seeks to sustain the Referee's implied finding that Consolidated's fraud defense was merely colorable in several ways.

First, Appellant states that Consolidated's accountant, Mr. Crawford, testified at the hearing before the Referee "that these letters constituted the only reason for the failure of Consolidated to pay the money owing to the bankrupt partnership; so far as Mr. Crawford knew, and he was in charge of the accounting department of the Shipbuilding Division of Consolidated, the money was owing and the amounts were correct. [Tr. 80-81.]" (App. Op. Br. p. 6.) Passing over the fact that, by reason of the introduction of a semicolon, Mr. Crawford's testimony gains something in this summation, it is clear that this appeal involves an order to pay over money to a trustee in bankruptcy issued after the hearing held on April 22, 1948, that at that hearing Consolidated's lawyers urged the defense of fraud, and that by no rational process of weighing evidence can it be determined that Consolidated's lawyers were thereby asserting a foolish and colorable defense merely because one of Consolidated's accountants testified as follows [quoting from the record]:

"Q. (By Mr. Gendel): And as far as you know, those two letters and what is contained in the letters, are the reasons that Consolidated Steel Corporation have not paid the money, is that correct? A. (By Mr. Crawford): That is right." [Tr. 80.]

* * * * *

“Mr. Klinger: May I clarify the record on that one point. Then it is not your testimony, is it, that the only reason the money has not been paid is the withholding order? You don’t know if that is the only reason or whether there are additional reasons why this money has not been paid to Brisbane & Company?”

The Witness: I only know that, as an employee, you might say, of Consolidated Steel, who would draw a check to Brisbane, I would say that in this particular instance I would not draw such a check in the face of these withhold orders. Whether there would be any other reason why they shouldn’t be drawn, I wouldn’t know. But that is sufficient for me not to pay.” [Tr. 86.]

Second, Appellant complains concerning the United States General Accounting Office letter [Tr. 62] accusing Brisbane and Brisbane & Company of illegal and fraudulent conduct in obtaining orders from Consolidated, that “no where in the letter is there any showing of any amount that the bankrupt partnership, Brisbane & Company, ever paid to McBurney as an alleged kickback in return for receiving a contract with the United States Government or with Consolidated.” (App. Op. Br. p. 9.) It cannot, of course, be seriously contended that when a businessman receives a formal letter from the United States Government stating that one of his buying agents has been receiving enormous bribes for distributing orders, through collusive bidding, among several suppliers, he should conclude that, since the Government has not informed him of the specific allocation, if any, of the bribe money among the various orders, he would be frivolous in assuming that he had a good defense by way of set-off and otherwise, based upon fraud, to claims under particular subcontracts

theretofore awarded to a particular accused supplier. Obviously, no particular significance should be attached to the absence of complete detail in the United States General Accounting Office letter.

Third, Appellant states that Consolidated has never contended that Brisbane & Company did not furnish labor and materials to Consolidated under the contracts in dispute, that the accounting records show money accrued to Brisbane & Company under such contracts, and that "It must be presumed, therefore, that the work was performed, the services and materials furnished, and that the ground, if any, for the refusal to pay the bankrupt partnership is based upon the alleged fraud of Eugene C. Brisbane, an individual." (App. Op. Br. p. 10.) There is, of course, no logical connection between the matters stated as facts by Appellant and the conclusion that Consolidated's refusal to pay is based upon "the alleged fraud of Eugene C. Brisbane, an individual," as distinguished from the fraud of Brisbane & Company, a limited partnership in which Eugene C. Brisbane was the only general partner. In fact, the very suggestion that Eugene C. Brisbane might corrupt Consolidated's purchasing agent with large bribes over an extended period for the benefit of other subcontractors and never obtain or seek to obtain, by the same corrupt means, any orders for Brisbane & Company is specious and unrealistic.

Fourth, Appellant states that "Consolidated has never made any adverse claim to these moneys. The sole reason for the failure to pay the same to the trustee herein are the letters from the Government agencies directing Consolidated not to pay." (App. Op. Br. p. 10.) This is an incorrect statement; Consolidated's position before the Referee was that it does not owe and refuses to pay any

moneys whatsoever to Brisbane & Company or its trustee in bankruptcy. [Tr. 23-30.] There is nothing in the record to indicate that Consolidated will pay anything to the trustee even if the Government withhold orders are cancelled. The only inference that legitimately might be drawn from the record is that if the withhold orders had never been issued, Brisbane & Company might possibly have obtained payment on all or part of its claims because, in the enormous rush of Consolidated's voluminous wartime business, the existence of the defense of fraud might not have been discovered in time to prevent payment to Brisbane & Company.

Consolidated does not rely solely upon the position that if it owed Brisbane & Company any moneys, the Government will not let Consolidated pay such moneys, but, on the contrary, regardless of the existence or non-existence of Government withhold orders, that it is not indebted to Brisbane & Company at all. As has been pointed out by Appellant "the United States [under its cost-plus contract with Consolidated] is in no way bound by any litigation between the trustee and Consolidated since the United States need not be a party thereto and would be permitted to make its own determination whether it would reimburse the prime contractor." (App. Op. Br. p. 17.) Consolidated dealt with Brisbane & Company as an independent contractor and is naturally concerned that it does not pay to Brisbane & Company any money that it does not owe.

Consolidated asserts the defense of fraud in this proceeding because it believes the defense to be well grounded and because it desires to protect its own funds from unjust claims. Any suggestion is erroneous which assumes that, but for the withhold orders, Consolidated would be

willing to pay these claims, relying upon the assumption that it would then be voluntarily reimbursed for the costs thereby incurred under its cost-plus Government contracts.

Consolidated's defense of fraud is substantial and not merely colorable. Consolidated was entitled to assert this defense at the hearing on the order to show cause which has culminated in this appeal. *Bankruptcy Act*, Section 68. Consolidated was entitled to litigate this defense in a plenary suit, under customary trial and pre-trial procedures. On this ground alone the decision of the District Judge below should be affirmed.

Consolidated's defense based on the Anti-Kickback Act, 41 U. S. C. A. 51, 52, was likewise well taken. Consolidated has received formal written orders from the United States Maritime Commission and the United States General Accounting Office directing Consolidated not to pay the claim here in dispute. [Tr. 61-64.] Said written orders expressly purport to have been issued "pursuant to the specific provisions of said statute" [Tr. 61] and "In view of the Anti-Kickback Act . . . providing that the amount of such kickbacks shall be recoverable on behalf of the United States by set-off of moneys otherwise owing to the subcontractor by a prime contractor . . ." [Tr. 64.] If such orders are legally effective, they constitute, by their express terms, a complete bar to any recovery on the claim here in dispute against Consolidated by Brisbane & Company or its successor, the trustee in bankruptcy. In order to overcome the effect of these orders, issued under the Anti-Kickback Act, Appellant argues, first, that it is "obvious from that statute . . . that its intent is to reduce the amount to be paid to a subcontractor or a prime contractor in an amount equal to the

reward paid by said subcontractor or prime contractor for the particular contract involved.” (App. Op. Br. p. 12.) This argument is fallacious because the Anti-Kickback Act explicitly provides that forbidden kickbacks can be recovered by the Government “by set-off of moneys otherwise owing to the subcontractor either directly by the United States, or by a prime contractor under *any* cost-plus or fixed-fee or cost-reimbursable contract . . .” 41 U. S. C. A., Sec. 51.* (Emphasis added.) Appellant argues, second, that Brisbane & Company is not alleged to have violated the Anti-Kickback Act. (App. Op. Br. pp. 12, 14.) This argument is fallacious since it is clear that

*THE ANTI-KICKBACK ACT
(41 U. S. C. A., Secs. 51, 52.)

“Sec. 51. *Fees or Kick-backs by subcontractors on cost-plus-a-fixed-fee or cost reimbursable contracts: recovery by United States: conclusive presumptions: withholding of payments.*”

“The payment of any fee, commission, or compensation of any kind or the granting of any gift or gratuity of any kind, either directly or indirectly, by or on behalf of a subcontractor, as defined in section 52 of this title, (1) to any officer, partner, employee, or agent of a prime contractor holding a contract entered into by any department, agency, or establishment of the United States for the furnishing of supplies, materials, equipment or services of any kind whatsoever, on a cost-plus-a-fixed-fee or other cost reimbursable basis; or to any such prime contractor or (2) to any officer, partner, employee, or agent of a higher tier subcontractor holding a subcontract under the prime contractor, or to any such subcontractor either as an inducement for the award of a subcontract or order from the prime contractor or any subcontractor, or as an acknowledgment of a subcontract or order previously awarded, is hereby prohibited. The amount of any such fee, commission, or compensation or the cost or expense of any such gratuity or gift, whether heretofore or hereafter paid or incurred by the subcontractor, shall not be charged, either directly or indirectly, as a part of the contract price charged by the subcontractor to the prime contractor or higher tier subcontractor. The amount of any such fee, cost, or expense shall be recoverable on behalf of the United States from the subcontractor or the recipient thereof by set-off of moneys

the United States believes that Brisbane & Company has violated the Anti-Kickback Act. The first withhold order alleges payment of forbidden kickbacks by "Eugene Charles Brisbane, owner of Brisbane & Company," and directs a withhold against Brisbane & Company; the plain inference is that the Government believes that Brisbane & Company was intended to profit and did profit by such kickbacks and was therefore chargeable therewith under the Anti-Kickback Act. [Tr. 61-62.] In this connection it should be recalled that the Anti-Kickback Act forbids payment of kickbacks "either directly or indirectly by or *on behalf of* a subcontractor . . ." 41 U. S. C. A.,

otherwise owing to the subcontractor either directly by the United States, or by a prime contractor under any cost-plus-a-fixed-fee or cost reimbursable contract, or by an action in an appropriate court of the United States. Upon a showing that a subcontractor paid fees, commissions, or compensation or granted gifts or gratuities to an officer, partner, employee, or agent of a prime contractor or of another higher tier subcontractor, in connection with the award of a subcontract or order thereunder, it shall be conclusively presumed that the cost of such expense was included in the price of the subcontract or order and ultimately borne by the United States. Upon the direction of the contracting department or agency or of the General Accounting Office, the prime contractor shall withhold from sums otherwise due a subcontractor any amount reported to have been found to have been paid by a subcontractor as a fee, commission, or compensation or as a gift or gratuity to an officer, partner, employee, or agent of the prime contractor or another higher tier subcontractor. Mar. 8, 1946, c. 80, Sec. 1, 60 Stat. 37.

"Sec. 52. *Same: definitions.*

"For the purpose of sections 51-54 of this title, the term 'subcontractor' is defined as any person, including a corporation, partnership, or business association of any kind, who holds an agreement or purchase order to perform all or any part of the work or to make or to furnish any article or service required for the performance of a cost-plus-a-fixed-fee or cost reimbursable contract or of a subcontract entered into thereunder, and the term 'person' shall include any subcontractor, corporation, association, trust, joint-stock company, partnership, or individual. Mar. 8, 1946, c. 80, Sec. 2, 60 Stat. 38."

Sec. 51. (Emphasis added.) The second withhold order very explicitly alleges that Brisbane & Company received orders from Consolidated in return for money paid to Consolidated's buying agent, McBurney. [Tr. 62-64.] Appellant argues, third, that the Anti-Kickback Act is unconstitutional unless construed to allow a Referee in bankruptcy to ascertain the validity, on the facts, of the set-off claim asserted by the United States Government. (App. Op. Br. pp. 14-16.) This argument is unsound since, even though constitutional pressures might conceivably force the implication that Brisbane & Company was entitled at some time to argue the factual correctness of the asserted basis for the Government's withhold order before some judicial forum, it is certainly unlikely that the statute would be construed to force the Government to defend its position in any forum where the prime contractor could be reached and before any attempt had been made to obtain an administrative remedy, and it would certainly be more logical to conclude that, after the Government exercises (on some factually erroneous basis) its right of set-off expressly given under the Anti-Kickback Act, the aggrieved subcontractor loses his claim against the prime contractor and retains only a claim against the United States to be asserted only after exhaustion of administrative remedies and only in the forums where claims against the United States or demands for relief against arbitrary administrative acts are usually tried. Moreover, even if the dubious legal propositions suggested by Appellant were sustained, the record does not in any way establish or prove that the claim of the

United States, which Consolidated recognizes as valid, is, on the facts, merely colorable in its contention that Brisbane & Company violated the Anti-Kickback Act and is thus properly deprived of its claim against Consolidated, if in fact Brisbane & Company would have a valid claim in the absence of withhold orders.

It is difficult to conceive of any claim whatsoever which can not be adjudicated, over protest, within the summary jurisdiction of the bankruptcy court if Consolidated's asserted defense based upon the Anti-Kickback Act can be determined to be only colorable in the sense that it does not invoke some fair doubt and reasonable room for controversy in matters either of law or fact. The District Judge below was correct in his conclusion that Consolidated's defense based upon the Anti-Kickback Act was "bona fide, and not spurious, colorable or frivolous" [Tr. 68], and that the Referee was therefore without summary jurisdiction to rule on the merits of such claim.

The cases cited by Appellant in his Opening Brief on pages 18-20 of his Brief are not authority for any contrary conclusion. The first three cases, *In re Capitaine* (D. C., Ed. N. Y., 1940), 31 Fed. Supp. 312; *In Matter of Goldman* (D. C., N. Y., 1833), 5 Fed. Supp. 973, and *Lahey v. Trachman* (C. C. A. 2, 1942), 130 F. 2d 748, 50 Am. B. R. (N. S.) 212, merely rule that property of which the bankrupt could have obtained possession on the date of bankruptcy can not be withheld from the trustee, because of the mere existence of demands made upon the party in possession by third persons after the date of bankruptcy, under circumstances where the party

in possession does not actively assert a beneficial interest in the property either for himself or for the third party. The theory is simply that, under such circumstances, between the bankrupt and the third party claimant, the bankrupt had constructive possession on the date of bankruptcy, and the rights of the party in possession are unaffected by the court's decision. The instant case is entirely different in that (1) the bankrupt could not have collected on any part of its claim against Consolidated on the date of bankruptcy and that, on the contrary, Consolidated then recognized the Government's superior rights in and to any claim which existed, and (2) Consolidated, alleging fraud on the part of Brisbane & Company, denies the very existence of any valid claim against it, owned by either the bankrupt or the United States, under the sub-contracts in question.

In the fourth case cited by Appellant, *In re Engineers Oil Properties Corporation* (D. C., N. Y., 1947), 72 Fed. Supp. 989, no objection to the summary jurisdiction of the bankruptcy court was ever made and, furthermore, the court merely cited, as authority for its dictum, text-book law to the effect that when a trustee claims property in the possession of a party other than the bankrupt, such party must either claim that the property belongs to him or belongs to some other person, not the bankrupt. It is obviously not the law that any bankruptcy trustee is entitled upon demand to possession, for instance, of all the trust assets of Title Insurance and Trust Company of Los Angeles and all the moneys owing from the Atchison Topeka & Santa Fe Railroad, merely because those

corporations do not claim the right to retain such assets and moneys solely for their own accounts. The text-book law means merely that in order to retain possession, it must be alleged by the possessor that the property claimed is held for another, not merely that the possessor believes that some party other than the bankrupt may possibly have some claim to the property.

Lastly, it is clear that part of the trustee's claim was unliquidated and therefore not within the summary jurisdiction of the Referee. The reversed findings of the Referee herein are to the effect that Consolidated owes the bankrupt the sum of \$20,390.82 on open account and the sum of \$6,093.47 "subject to the possible requirement of the United States Maritime Commission of further processing." [Tr. 49.] It is clear that the latter sum is the amount of a preliminary audit by Consolidated as to the amount it might be willing to pay an ordinary subcontractor, if the United States Maritime Commission approved, in settlement of unliquidated damage claims for termination of the subcontracts in question. Such preliminary audit does not fix the liability of Consolidated under the terminated subcontracts, any more than a preliminary estimate by Consolidated of the fair settlement value of a tort claim presented by an honest claimant would fix the amount owing to such claimant after suit was brought. The claim of Brisbane & Company under terminated subcontracts is clearly an unliquidated claim, by definition involving reasonable room for controversy, and, therefore, may not be ruled upon within the summary jurisdiction of a referee in bankruptcy.

C. Timely Objection Was Made to the Summary Jurisdiction of the Referee Herein.

Appellant does not directly argue that timely objection was not made to the summary jurisdiction of the Referee herein, but his Brief in its "Statement of the Case" contains a sentence to the effect that "The Judge was unable to find that Consolidated had ever objected to the summary jurisdiction of the bankruptcy court, since it had not done so." The record shows that at the hearing on the order to show cause, which has resulted in this appeal, Consolidated offered [Tr. 73] and delivered [Tr. 102] to the Referee herein a formal written document specifically stating that:

"The matter is not within the summary jurisdiction of a referee in bankruptcy unless such jurisdiction is accepted by all of the parties thereto. The United States has earlier in these proceedings indicated that it will not waive its right to a plenary suit on these issues and Consolidated Steel Corporation has done likewise, and hereby reiterates its position." [Tr. 30.]

The hearing on the order to show cause was held on April 22, 1948, and the Referee's order, adverse to Consolidated, was not made until a year later, on April 12, 1949. [Tr. 36.] On this state of facts, Consolidated has certainly made a timely objection to the summary jurisdiction of the Referee within the established rule that an objection to the summary jurisdiction of a court of bankruptcy is timely if made at any time prior to entry of a final order with reference to the dispute in question.

Cline v. Kaplan, 323 U. S. 97 (1944).

D. On the Merits, Consolidated Has a Valid Defense Based Upon the Anti-Kickback Act.

The record in this case shows that the United States, acting under the Anti-Kickback Act, 41 U. S. C. A., Secs. 51, 52, prior to the date of bankruptcy herein purported to extinguish the account sued on by the trustee herein by setting off against it asserted liabilities to the United States arising under said Anti-Kickback Act. [Tr. 61-64.]

The Anti-Kickoff Act expressly provides for set-off of obligations to the United States arising under the Anti-Kickback Act against obligations owing to an allegedly guilty subcontractor from any prime contractor under a cost-plus contract with the United States. It provides that this right of set-off be exercised by notice to the prime contractor to withhold payments otherwise due the subcontractor, "in any amount reported to have been found to have been paid by a subcontractor" as a forbidden kickback. (41 U. S. C. A., Sec. 51.) The United States has very plainly indicated in its withhold orders that Brisbane & Company is properly chargeable with having paid forbidden kickbacks in an amount in excess of its claim against Consolidated, here in dispute, and has directed the withholding of the entire amount of such claim from Brisbane & Company. Under the Anti-Kickback Act it is required that Consolidated "shall withhold any amount *reported to have been paid . . .*" (41 U. S. C. A., Sec. 51.) The United States has reported that "Eugene Charles Brisbane, owner of Brisbane & Company, has paid more than \$50,000.00 . . ." [Tr. 61.] The United States obviously considers, and by fair implication reports, that for purposes of the Anti-Kickback Act the amount reported to have been

paid was paid on behalf of and is properly chargeable to Brisbane & Company, against which the withhold order is directed. Therefore, if the Anti-Kickback Act is the law of the land, Consolidated *shall withhold* the amount here in dispute and Brisbane & Company shall not collect against Consolidated, regardless of whether or not the United States is in error in its report concerning forbidden kickbacks paid. The Anti-Kickback Act plainly contemplates that withhold orders utterly extinguish subcontractors' claims against prime contractors, leaving the subcontractor, if he feels aggrieved, to assert any grievance against the United States in the customary manner, by first exhausting his administrative remedy and then taking his case before the customary forums where claims against the United States or demands for relief against arbitrary administrative acts are tried. When Congress passed the Anti-Kickback Act, it can hardly be deemed to have considered that, in providing for set-offs in favor of the United States, it was requiring the United States to defend its asserted set-offs in any forum where the prime contractor might ordinarily be sued. This would be a radical departure from the established system of jurisdiction in cases where the United States is involved.

The Anti-Kickback Act by its express terms, upon the undisputed facts in the record of this case, has extinguished any claim of Brisbane & Company against Consolidated. Any adverse judgment on the merits of this case would necessarily have to be directed solely against the United States, for, as far as Consolidated is concerned, Congress has directed that it "shall withhold" the amount here in dispute from Brisbane & Company.

E. Even If the Right to Exercise Summary Jurisdiction Had Existed, It Would Have Been an Abuse of Discretion on the Part of the Referee Herein Not to Have Ordered That the Dispute Herein Be Decided in a Plenary Proceeding.

Even if, by some strange process, the Referee had acquired the right to decide the dispute herein in the exercise of his summary jurisdiction, it would have been an abuse of discretion on his part to enter the order which Appellant here seeks to reinstate after the short summary hearing transcribed in the record. [Tr. 73-102.] A Referee in bankruptcy has considerable discretion as to whether or not to order a plenary proceeding on matters which he has the right to decide in the exercise of his summary jurisdiction. It was apparent in the proceedings below that serious and complex questions of law and fact were presented in connection with the defense raised by Consolidated based upon the Anti-Kickback Act. It was even more apparent that Consolidated raised a defense based upon fraud to the claim of the trustee and that this defense, if controverted on the merits, would require the introduction of much evidence, from many witnesses, covering a series of transactions over an extended period. Under these circumstances, without allowing Consolidated to even argue its fraud defense and without reading the Memorandum offered by Consolidated, the Referee stated flatly that "I am going to make an order that you pay \$20,390.82. You can take a review on that if you want to." [Tr. 102.] Consolidated submits that, even if the Referee had possessed summary jurisdiction to decide

the dispute herein, the decision reached on the record below should properly have been reversed by the District Judge, in the proper exercise of his discretion to correct an obvious injustice, with directions to the trustee to litigate his claim, if at all, in a plenary proceeding.

Conclusion.

Appellee Consolidated Liquidating Corporation respectfully prays that this Court affirm the order of the District Court below. In the event that the Court should decide that the Referee possessed summary jurisdiction to decide the dispute herein, it is respectfully requested that the decision of the Referee herein be reversed on the merits.

Dated this 3rd day of January, 1951.

Respectfully submitted,

WRIGHT & GARRETT,

By HAROLD F. COLLINS and

CHARLES T. MUNGER,

Attorneys for Appellee Consolidated Liquidating Corporation.

No. 12624

IN THE

United States Court of Appeals

FOR THE NINTH CIRCUIT

GEORGE T. GOGGIN, as Trustee of the Estate of EUGENE
C. BRISBANE, Individually, and BRISBANE & COMPANY,
a Limited Partnership, Bankrupts,

Appellant,

vs.

CONSOLIDATED LIQUIDATING CORPORATION, *and* UNITED
STATES OF AMERICA,

Appellees.

APPELLANT'S REPLY BRIEF.

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No. 12624

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Appellant,

vs.

CONSOLIDATED LIQUIDATING CORPORATION, and UNITED
STATES OF AMERICA,

Appellee.

APPELLANT'S REPLY BRIEF.

I.

The Appellees Have Ignored the Distinction in Bankruptcy Between the Partnership and the Individual Entities.

In his opening brief (pp. 13-15) appellant has pointed out that the Bankruptcy Act, and cases decided thereunder, recognize a distinction between the individual entity and the partnership entity. In their Brief, Consolidated (p. 12) and the United States of America (p. 20) seek to avoid the distinction between these entities on the alleged ground that the letter from the General Account-

ing Office [Tr. 62] makes a reference to “Brisbane & Company.” This reference merely shows that Mr. Brisbane, an individual, was associated with Brisbane & Company [Tr. 63] and there is nothing in the record that even remotely indicates that Brisbane & Company in any way profited from the activities of Eugene C. Brisbane, an individual; there is nothing in the record that indicates that the contracts performed by the limited partnership (which contracts gave rise to the present proceeding) were improperly performed or that said contracts were involved in any kickbacks, allegedly made by Mr. Brisbane. Indeed, as has been set forth in all the briefs, it was clearly established by the Accounting Department of Consolidated that the charges made on the contracts here in dispute were proper and that the money would be paid if it were not for the alleged fraud of Eugene C. Brisbane, an individual.

This failure to distinguish between the individual and the partnership is critical. One would think, from a reading of the briefs of the appellees herein, that an argument is being made for the payment of moneys to Eugene C. Brisbane, one of the bankrupts in this proceeding. Such is not the case. The appellant merely seeks to recover the amounts for work and labor furnished Consolidated so that these amounts may be distributed to the creditors of the limited partnership.

Consolidated has never presented any evidence upon an alleged claim of fraud against Brisbane & Company, a limited partnership. Toward the end of the argument

before the Referee [Tr. 101] counsel for Consolidated apparently wished to *argue* this point but was content to stand on the record as far as evidence was concerned. If Consolidated has any claim against Eugene C. Brisbane as an individual for fraud, such claim should not be, and would not be, asserted against the limited partnership which admittedly performed the work and to which the amount hereinabove set forth would otherwise be paid.

Accordingly, appellant re-asserts the cases set forth in its opening brief (pp. 18-22) which stand for the proposition that where the alleged adverse claim is merely colorable, summary jurisdiction is vested in the bankruptcy court. The cases cited by Consolidated in its Brief (pp. 6-11) state general propositions of law but are in no way in conflict with the propositions set forth in Appellant's Opening Brief. Indeed, the case of *In re Roman* (C. C. A. 2nd, 1928), 23 F. 2d 556, heavily relied upon by Consolidated (Consolidated's Brief, pp. 6-7), is one where the court found that the adverse claim was not colorable and the latter part of the opinion in that case was devoted to demonstrating the substantiality of the adverse claim.

II.

The Trustee Has Brought No Suit Against the United States.

The present proceedings were instituted by the trustee against Consolidated and not against the United States of America. Nevertheless, the United States sought to inject itself in these proceedings by filing its petition in intervention. The United States is not bound by the rendition of a judgment against Consolidated; the statement in the brief of the United States (p. 5) that an order in this case "would in reality be an order upon the Treasury of the United States" is incorrect. It is axiomatic that the United States could in no way be bound by the determination of the present case so long as it was content to remain outside these proceedings. A mere reading of the United States' petition for leave to intervene [Tr. 19-20] demonstrates that the United States of America thought that it had an interest to be protected in these proceedings and requested leave to intervene. There is no doubt but that the United States has the right and the power to become a part of this litigation if its officers and agents choose to do so and such action was taken in the present case. The money judgment ordered by the referee below was against Consolidated, not the United States.

III.

The Trustee Is Entitled to a Hearing.

The United States apparently contends, in its Brief, that no hearing is necessary in a case of this sort (Brief, pp. 15-17), and cites as support of this proposition authorities dealing with suits against the United States. The bankrupt partnership made its contracts with Consolidated and the trustee is suing that corporation and not the United States. The Federal Government, however, through certain of its agencies, has attempted to prevent the payment of the amount held by Consolidated and thereby deprive the trustee and the creditors of this property.

Throughout the briefs of both appellees there appears to be an assumption that the trustee is entitled to some form of administrative or judicial review. A careful study of these briefs, however, reveals no specific indication where such review would take place. The Anti-Kickback Act itself contains none of the provisions that are normally deemed compatible with due process of law. There is no provision therein for notice to the person whose property is being appropriated. There is no procedure whereby evidence may be presented in an orderly manner or, as far as the bankrupt and trustee were concerned, in any manner whatsoever. Finally, the Act contains no provision for protest or review, either administrative or judicial, nor for the protection of the rights of third parties.

Since it is clear that some form of review is constitutionally required, despite indications to the contrary in the Brief of the United States (pp. 15-17), the question immediately arises, where shall the hearing take place? If appellees are correct in their argument that this is in effect a suit involving property of the United States, there could be no suit in a state court without the consent of the United States. Indeed, there could be no suit anywhere, since there was no contract with the United States and the trustee would, therefore, be unable to bring a suit on a contract. The Administrative Procedure Act avails the trustee nothing since its provisions were not complied with by the United States and the Act itself was passed after the passage of the Anti-Kickback Act; therefore, it is clear that the Anti-Kickback Act did not contemplate the use of the procedure in the Administrative Procedure Act.

No sound reason has been presented why this matter should not be heard before the bankruptcy court, since the alleged adverse claim is purely colorable. As stated in Appellant's Opening Brief, every effort should be made to interpret the Anti-Kickback statute in a manner consonant with constitutional procedures. In his Opening Brief, appellant cited *A. & M. Brand Realty Corp. v. Woods* (U. C. D. C., D. C. 1950), 93 Fed. Supp. 715, as authority for this well established proposition. Even in an emergency the Government cannot, through its agencies, interfere with contract rights without affording some sort of hearing. This was one of the points expressly decided in *Bowles v. Willingham* (1944), 321 U. S. 503, where the Supreme Court of the United States held that a rent order, where issued by the administrator without any hearing to the landlord, must provide for judicial review after the rendition of the

order. The Supreme Court had earlier decided in *Brinkerhoff-Faris Co. v. Hill* (1930), 281 U. S. 673, that:

“Whether acting through its judiciary or through its legislature, a State may not deprive a person of all existing remedies for the enforcement of a right, which the State has no power to destroy, unless there is, or was, afforded to him some real opportunity to protect it.”¹

Other than in the bankruptcy court, neither the bankrupt nor its trustee in bankruptcy has ever had an opportunity to present evidence upon the question whether these alleged kickbacks were chargeable to the bankrupt limited partnership. Every other attempt made by the trustee to obtain a hearing on this matter has been blocked by the simple expedient of two letters from governmental agencies. While it is true that of the \$26,484.29 owing to the bankrupt estate, the sum of \$6,093.47 is “subject to further processing” by the United States Maritime Commission, it is equally well established that the trustee has done everything within his power to obtain a final processing of this claim. No reason has been made to appear in the record and in the briefs filed in this action why the bankruptcy court is not the proper, if not the only, forum in which this matter may be heard.

¹See also “THE REQUIREMENT OF OPPORTUNITY TO BE HEARD IN THE ADMINISTRATIVE PROCESS,” by Kenneth Culp Davis, 51 Yale Law Journal 1093, in which this entire question is reviewed at length and the author there concludes (51 Yale Law Journal, 1142):

“The prevailing judicial doctrine is that improper denial of administrative hearings may be remedied by availability of judicial review of sufficient scope, but widespread reliance upon this doctrine is unfortunate. Safeguards at the administrative stage are clearly superior to safeguards by a theoretical right of review which in practice is often illusory.”

Conclusion.

Brisbane & Company, a partnership, entered into a contract with Consolidated for the performance of certain work wherein Consolidated contends that it was a prime contractor with the United States (the transcript record appears to be without proof of this latter contention); the partnership performed services valued in excess of \$20,000.00; before Consolidated got around to paying this money to the partnership the United States convicted Eugene Brisbane, also a bankrupt, of conspiring with an employee of Consolidated; the conspiracy appeared to consist of an arrangement whereby Brisbane assisted other companies (no evidence that Brisbane & Company was included) in submitting bids to Consolidated and if the contracts were obtained Brisbane, personally, would receive from these companies a portion of the contract price which would be divided with Consolidated's employee. No showing has ever been made that the partnership received any of these moneys. The United States arbitrarily estimated the money Brisbane received and sent two stop letters to Consolidated which the latter interpreted to mean it could not pay the partnership the money owed to it. The trustee qualified after the bankruptcy commenced, made demands upon Consolidated and the United States, but payment was refused.

Query, What could the trustee do to collect over \$20,000.00 unequivocally owing to the estate? Until the United States suggested a fraud defense in bankruptcy, Consolidated took the position it would pay except for the two letters written by the United States. The trustee has no contract with the United States, which renders most questionable a suit against the United States in the Court of Claims or the District Court. Consolidated has no ap-

parent *bona fide* claim to the money owed except to quote the two letters from the United States. The Anti-Kick-back Act, apparently passed hurriedly by Congress to block war profiteering, utterly and completely failed to provide even the vestiges of the fundamental requirements of due process of law such as notice to a claimant, provision for an administrative hearing, application to a court or any other method for protecting property rights.

After all, this claim of fraud is against Brisbane, not the partnership; the position of Consolidated and the United States punishes the creditors of the partnership, not Brisbane. Surely a basic function of a bankruptcy court is to marshal the assets of the bankrupt partnership, for the benefit of all creditors; since the United States has shown no direct interest therein and the position of Consolidated is merely that of stakeholder, the District Court below was clearly in error. If the ruling of the Referee, ordering Consolidated to pay, is affirmed, we are certain that Consolidated will be allowed by the United States to charge this payment to its costs under the prime contract; therefore Consolidated cannot show an adverse claim to the money.

The facts, when analyzed, and the applicable law, when applied, require a reversal of the District Court and a restoration of the Referee's order directing Consolidated to pay the Trustee \$26,484.29.

Respectfully submitted,

MARTIN GENDEL,

Of Counsel for Appellant, Trustee in Bankruptcy.

No. 12627

United States
Court of Appeals
for the Ninth Circuit.

PARK-IN-THEATRES, INC., a Corporation,
Appellant.

vs.

SETH D. PERKINS, GEORGE E. MITZEL,
LaVERE CO., a Corporation and DRIVE-IN-
THEATRES OF AMERICA, a Corporation,
Appellees.

Transcript of Record
In Two Volumes

Volume I
(Pages 1 to 162)

FILED

OCT 31 1950

PAUL P. O'BRIEN,
CLERK

Appeal from the United States District Court,
Southern District of California,
Central Division.

No. 12627

United States
Court of Appeals
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Central Division.

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In the United States District Court Southern District of California, Central Division.

Civil Action No. 8582-R

For Infringement of United States Letters Patent No. 1,909,537.

PARK-IN THEATERS, INC.,

Plaintiff,

vs.

SETH D. PERKINS, GEORGE E. MITZEL, LA
VERE CO., a California corporation, and
DRIVE-IN THEATRES OF AMERICA, a
California corporation,

Defendants.

COMPLAINT

For its complaint against defendants, plaintiff alleges the following:

(1) Plaintiff is a New Jersey corporation having its place of business at 840 Cooper Street, Camden, N. J.

2-a) Seth D. Perkins, one of the defendants, is a citizen of California and an inhabitant of this District and Division.

2-b) George E. Mitzel, one of the defendants, is a citizen of California and an inhabitant of this District and Division. [2]

2-c) La Vere Co., one of the defendants, is a California corporation and an inhabitant of this District and Division.

2-d) Drive-in Theatres of America, one of the defendants, is a California corporation and an inhabitant of this District and Division.

(3) This Court has jurisdiction over the subject matter, under the patent laws of the United States, and this Court has jurisdiction over the defendants under Section 48 of the Judicial Code (28 USC 109).

(4) On May 16, 1933, Letters Patent No. 1,909,537, of the United States were duly and legally issued to one Richard M. Hollingshead, Jr., for an invention in Drive-In Theatres;— which patent is hereby proffered.

(5) By an assignment executed on the 1st day of June, 1933, and recorded in the Transfers of Patent of the United States Patent Office on the 11th day of August, 1933, in Liber F-157, at page 135, the entire right, title and interest in and to said Letter Patent No. 1,909,537 were assigned by said Richard M. Hollingshead, Jr., to plaintiff, and by said assignment plaintiff became and has continued to be and now is the sole and exclusive owner of all right, title and interest in and to said patent and all claims arising or that may have arisen or accrued from infringement thereof, from and after the date of issuance of said patent.

(6) The drive-in theatre invented by Richard M. Hollingshead, Jr. and forming the subject-matter of plaintiff's Hollingshead patent No. 1,909,537 was entirely unknown and unanticipated [3] in the United States, or elsewhere, prior to the time when

Richard M. Hollingshead, Jr., invented such drive-in theatre, and such invention by Richard M. Hollingshead, Jr. constituted and now constitutes an original inventive contribution of great value and benefit to the public at large, and the public has recognized the merit of said invention by patronizing, to an ever increasing extent, the drive-in theatres embodying such invention, many of which have been built and constructed and used throughout the United States, solely and directly as a result of said invention having been made by Richard M. Hollingshead, Jr. and having thus been made available to the public.

(7) The individual defendants named in paragraphs 2-a and 2-b combined and conspired with each other and with others not now known to plaintiff,

whose identity plaintiff prays leave to ascertain with the aid of the Rules of Civil Procedure relating to discovery and to add hereto when so ascertained,

to appropriate the invention of plaintiff's patent 1,909,537 within this District and Division and elsewhere in the United States, all without license from plaintiff and in violation and infringement of plaintiff's rights in and under its patent 1,909,537 and, as a part of said combination and conspiracy, said individual defendants and said others, made or caused to be made and built or caused to be built and sold or caused to be sold and used or caused to be used drive-in theatres embodying the invention of plaintiff's patent 1,909,537, within this District and Division, and elsewhere in the United States,

within the past six years prior to the filing of this complaint. [4]

(8) The individual defendants named in paragraphs 2-a and 2-b caused the corporate defendants to be incorporated under the laws of the State of California and said individual defendants are all stockholders, directors and officers of said corporate defendants.

(9) The corporate defendants were formed for the purpose of carrying on the infringements herein complained of and said corporate defendants have had no business other than and have no business other than building and/or operating and/or selling drive-in theatres in infringement of plaintiff's patent 1,909,537, and in connection with its said business, they are and merely act as the alter ego of the aforesaid individual defendants and have only such functions in and about or pertaining to the building, operation or sale of such drive-in theatres as are or may be assigned to them, or vested in them, from time to time, by the individual defendants, and said individual defendants control, direct and determine the policies and actions of said corporate defendants, and said corporate defendants were formed by said individual defendants as a cloak for the purpose of committing, through said corporate defendants, some or all of their acts of infringement within this District and Division and elsewhere in the United States, herein complained of, and for the purpose of avoiding responsibility for such infringements, and individual defendants use said corporate

defendants as conduits through which to receive, from the public, the proceeds of their infringements within this District and Division and elsewhere in the United States, and to withdraw and disperse to themselves all assets and profits thereof; thereby to leave said corporate defendants unable to respond to any judgment for patent infringement; said individual defendants being the real parties in [5] interest in the drive-in theatres herein complained of as infringements of plaintiff's patent 1,909,537.

(10) Since the issuance of plaintiff's patent 1,909,537 and within the past six years and prior to the filing of this complaint, defendants made or caused to be made and built or caused to be built and sold or caused to be sold and used or caused to be used a drive-in theatre at Jefferson Street and Sepulveda Boulevard in Los Angeles, California and on Mount Vernon Street near Mill Street in San Bernardino, California, and elsewhere within this District and Division and elsewhere within the United States.

(11) The drive-in theatres referred to in foregoing paragraph 10 were and are and are planned to be in accordance with and embody the invention disclosed in plaintiff's patent 1,909,537 and claimed in claims 2, 4, 5, 6, 10, 15, 16 and 19 of plaintiff's patent 1,909,537.

(12) The acts set forth in foregoing paragraph 10 have constituted and now constitute infringements of one or more of claims 2, 4, 5, 6, 10, 15, 16 and 19 of plaintiff's patent 1,909,537.

(13) Defendants plan and intend to continue making, building, using, operating and selling of the aforesaid drive-in theatres and plan and intend to build, operate and sell other similar drive-in theatres.

(14) Plaintiff has marked and caused to be marked drive-in theatres according to plaintiff's patent 1,909,537 with notice of said patent 1,909,537, under and in accordance with Section 4900 [6] of the Revised Statutes of the United States (35 U.S.C. 49).

(15) Plaintiff has given defendants actual notice of infringement prior to the filing of this complaint.

(16) Plaintiff has been greatly and irreparably damaged and injured in its patent rights under its patent 1,909,537 here in suit, and in its business thereon and appurtenant thereto, by reason of defendants' aforesaid infringements of the patent here in suit, and the defendants have correspondingly profited by such infringements, which damage and injury to plaintiff has been aggravated by the wilful, open and defiant character of defendants' infringements.

(A) Wherefore plaintiff prays that defendants be required to pay to plaintiff treble such damages as plaintiff has sustained in consequence of defendants' infringements herein complained of, including general damages, and for a jury trial to determine such damages, including general damages, and that plaintiff have judgment for treble the amount of

such damages found by the jury and for the amount of plaintiff's reasonable attorney's fees, and for interest on said damages from the date of infringement, and for the cost of this suit to be assessed against defendants.

(B) Plaintiff requests a trial by jury of all issues presented by the foregoing complaint and by defendants' answers thereto, going to defendants' liability and to the amount of such liability. [7]

(C) Plaintiff further prays for a permanent injunction against defendants and each of them, enjoining them and their agents and employees (and all those in active concert with them) from further infringing plaintiff's patent 1,909,537.

LYON & LYON,

/s/ LEONARD S. LYON,

/s/ REGINALD E. CAUGHEY,
Attorneys for Plaintiff.

/s/ LEONARD L. KALISH,
Counsel for Plaintiff.

Receipt of copy acknowledged.

[Endorsed]: Filed August 27, 1948. [8]

[Title of District Court and Cause.]

INTERROGATORIES PROPOUNDED BY DEFENDANTS PURSUANT TO RULE 33 OF THE RULES OF CIVIL PROCEDURE TO BE ANSWERED SEPARATELY AND FULLY IN WRITING UNDER OATH WITHIN FIFTEEN DAYS

1. Specifically state the location of each drive-in theatre referred to in paragraph 7 of the complaint and alleged to have been made and built by the individual defendants named in paragraphs 2-a and 2-b of the complaint, and in your answer specify the street address, name of town or city, county and state of each such drive-in theatre.

2. Specifically state the location of each drive-in theatre referred to in paragraph 7 of the complaint and alleged [9] to have been caused to be built and made by the individual defendants named in paragraphs 2-a and 2-b of the complaint, and in your answer specify the street address, name of town or city, county and state of each such drive-in theatre.

3. Specifically state the location of each drive-in theatre referred to in paragraph 7 of the complaint and alleged to have been sold by the individual defendants named in paragraphs 2-a and 2-b of the complaint, and in your answer specifically state:

a—the address of such theatre, specifying the street number, the name of the street, the name of the city or town, the county and state;

b—to whom sold;

c—the date upon which sold;

d—the date upon which such theatre was built.

4. Specifically state the location of each drive-in theatre referred to in paragraph 7 of the complaint and alleged to have been used by the individual defendants named in paragraphs 2-a and 2-b of the complaint, and in your answer specify the street address, name of town or city, county and state of each such drive-in theatre.

5. Specify, for each drive-in theatre referred to in paragraph 7 of the complaint and alleged to have been built by the individual defendants named in paragraphs 2-a and 2-b of the complaint,

a—the date upon which such theatre was erected;

b—the date upon which such theatre was completed;

c—the date upon which such theatre was placed in operation. [10]

6. Specify, for each drive-in theatre referred to in paragraph 7 of the complaint and alleged to have been sold by the individual defendants named in paragraphs 2-a and 2-b of the complaint,

a—the date upon which such theatre was erected;

b—the date upon which such theatre was completed;

c—the date upon which such theatre was placed in operation.

7. Specify, for each drive-in theatre referred to in paragraph 7 of the complaint and alleged to have been used by the individual defendants named in paragraphs 2-a and 2-b of the complaint,

a—the date upon which such theatre was erected;

b—the date upon which such theatre was completed;

c—the date upon which such theatre was placed in operation.

8. Specifically state the location of each drive-in theatre referred to in paragraph 9 of the complaint and alleged to have been built by defendant Drive-In Theatres of America and in your answer specify,

a—the street number, the name of the street, the name of the town or city, the county and the state;

b—the date upon which each such theatre was built.

9. Specifically state the location of each drive-in theatre referred to in paragraph 9 of the complaint and alleged to have been sold by defendant Drive In Theatres of America and in your answer specify—

a—the street number, the name of the [11] street, the name of the town or city, the county and the state;

b—the date upon which each such theatre was erected;

c—the date upon which each such theatre was completed;

d—the date upon which each such theatre was placed in operation;

e—the person, firm, or corporation to whom such theatre was sold;

f—the date upon which such theatre was sold.

10. Specifically state the location of each drive-in theatre referred to in paragraph 9 of the complaint and alleged to have been operated by defendant Drive In Theatres of America, and in your answer specify—

a—the street number, the name of the street, the name of the town or city, the county and the state;

b—the date upon which each such theatre was built;

c—the date upon which each such theatre was place in operation.

11. With reference to the theatre located at Jefferson Street and Sepulveda Boulevard, at Los Angeles, referred to in paragraph 10 of the complaint, specify which one of the defendants named in the complaint—

a—built said theatre;

b—sold said theatre;

c—to whom sold;

d—used said theatre.

12. With reference to the theatre located on Mt. Vernon Street near Mill Street in San Bernardino, California, referred [12] to in paragraph 10 of the

complaint, specify which one of the defendants named in the complaint—

- a—built said theatre;
- b—sold said theatre;
- c—to whom sold;
- d—used said theatre.

Dated at Los Angeles, California, this 27th day of September, 1948.

/s/ C. A. MIKETTA,

JOHNSON & LADENBERGER,

By DON A LADENBERGER,

Attorneys for Defendants.

Receipt of copy acknowledged.

[Endorsed]: Filed September 28, 1948. [13]

[Title of District Court and Cause.]

STIPULATION

It Is Stipulated, by and between counsel for the respective parties, that the plaintiff in the above-entitled action may have up to and including October 18, 1948, within which to answer or object to the Interrogatories heretofore propounded by the defendants. The defendants shall have twenty (20) days after the sustaining of any objections to said Interrogatories or twenty (20) days after the filing

of answers thereto within which to answer or otherwise plead to the Complaint.

LYON & LYON,

/s/ REGINALD E. CAUGHEY,
Attorneys for Plaintiff.

/s/ C. A. MIKETTA,
Attorney for Defendants.

It Is So Ordered this 13th day of October, 1948.

/s/ PAUL J. McCORMICK,
Judge.

Receipt of copy acknowledged.

[Endorsed]: Filed October 13, 1948. [15]

[Title of District Court and Cause.]

PLAINTIFF'S ANSWER TO
INTERROGATORIES

Now comes plaintiff and answers defendants' interrogatories served September 28, 1948, as follows:

1. Answering Interrogatory 1, plaintiff states that the drive-in theatres referred to in paragraph 7 of the Complaint and alleged to have been made and built by the individual defendants named in paragraphs 2-a and 2-b of the Complaint are, inter alia, those identified in paragraph 10 of the Complaint. Plaintiff states, on information and belief, that other drive-in theatres have also been made and

built by defendants, the locations of which are presently unknown to plaintiff but are within the knowledge of defendants. [16]

2. Answering Interrogatory 2, plaintiff states that the drive-in theatres referred to in paragraph 7 of the Complaint and alleged to have been caused to be built and made by the individual defendants named in paragraphs 2-a and 2-b of the Complaint are, inter alia, those identified in paragraph 10 of the Complaint. Plaintiff states, on information and belief, that other drive-in theatres have also been caused to be built and made by defendants, the location of which are presently unknown to plaintiff but are within the knowledge of defendants.

3. Answering Interrogatory 3, plaintiff states that the drive-in theatres referred to in paragraph 7 of the Complaint and alleged to have been sold by the individual defendants named in paragraphs 2-a and 2-b of the Complaint are, inter alia, those identified in paragraph 10 of the Complaint. Plaintiff states, on information and belief, that other drive-in theatres have also been sold by defendants, the location of which are presently unknown to plaintiff but are within the knowledge of defendants. Plaintiff is presently uninformed as to the information requested by sub-sections b, c and d of Interrogatory 3 but states, on information and belief, that said information is within the knowledge of defendants.

4. Answering Interrogatory 4, plaintiff states that the drive-in theatres referred to in paragraph 7

of the Complaint and alleged to have been used by the individual defendants named in paragraphs 2-a and 2-b of the Complaint are, inter alia, those identified in paragraph 10 of the Complaint. Plaintiff states, on information and belief, that other drive-in theatres have also been used by defendants, the location of which are presently unknown to plaintiff but are within the knowledge of defendants.

5. Answering Interrogatory 5, plaintiff states that the drive-in theatres referred to in paragraph 7 of the Complaint and alleged to have been built by the individual defendants named in [17] paragraphs 2-a and 2-b of the Complaint are, inter alia, those identified in paragraph 10 of the Complaint. Plaintiff states, on information and belief, that other drive-in theatres have also been built by defendants, the location of which are presently unknown to plaintiff but are within the knowledge of defendants. Plaintiff is presently uninformed as to the information called for by sub-sections a, b and c of Interrogatory 5 but states, on information and belief, that said information is within the knowledge of defendants.

6. Answering Interrogatory 6, plaintiff states that the drive-in theatres referred to in paragraph 7 of the Complaint and alleged to have been sold by the individual defendants named in paragraphs 2-a and 2-b of the Complaint are, inter alia, those identified in paragraph 10 of the Complaint. Plaintiff states, on information and belief, that other drive-in theatres have also been sold by defendants, the

location of which are presently unknown to plaintiff but are within the knowledge of defendants. Plaintiff is presently uninformed as to the information called for by sub-sections a, b and c of Interrogatory 6 but states, on information and belief, that said information is within the knowledge of defendants.

7. Answering Interrogatory 7, plaintiff states that the drive-in theatres referred to in paragraph 7 of the Complaint and alleged to have been used by the individual defendants named in paragraphs 2-a and 2-b of the Complaint are, inter alia, those identified in paragraph 10 of the Complaint. Plaintiff states, on information and belief, that other drive-in theatres have also been used by defendants, the location of which are presently unknown to plaintiff but are within the knowledge of defendants. Plaintiff is presently uninformed as to the information called for by sub-sections a, b and c of Interrogatory 7 but states, on information and belief, that said information is within the knowledge of defendants. [18]

8. Answering Interrogatory 8, plaintiff states that the drive-in theatres referred to in paragraph 9 of the Complaint as having been built by defendant Drive In Theatres of America are, inter alia, those identified in paragraph 10 of the Complaint. Plaintiff states, on information and belief, that other drive-in theatres have been built by said defendant, the locations of which are presently unknown to plaintiff but are within the knowledge of defendants. Except as specified above, plaintiff is presently without information as to the facts called

for by subsections a and b but states, on information and belief, that said information is within the knowledge of defendants.

9. Answering Interrogatory 9, plaintiff states that the drive-in theatres referred to in paragraph 9 of the Complaint as having been sold by defendant Drive In Theatres of America are, inter alia, those identified in paragraph 10 of the Complaint. Plaintiff states, on information and belief, that other drive-in theatres have been sold by said defendant, the locations of which are presently unknown to plaintiff but are within the knowledge of defendants. Except as specified above, plaintiff is presently without information as to the facts called for by sub-sections a to f but states, on information and belief, that said information is within the knowledge of defendants.

10. Answering Interrogatory 10, plaintiff states that the drive-in theatres referred to in paragraph 9 of the Complaint as having been operated by defendant Drive In Theatres of America are, inter alia, those identified in paragraph 10 of the Complaint. Plaintiff states, on information and belief, that other drive-in theatres have been operated by said defendant, the locations of which are presently unknown to plaintiff but are within the knowledge of defendants. Except as specified above, plaintiff is presently without information as to the facts called for by sub-sections a, b and c but states, on information and [19] belief, that said information is within the knowledge of defendants.

11. Answering Interrogatory 11, plaintiff states that it is presently without knowledge as to the information called for by sub-sections a, b, c and d but states, on information and belief, that said information is within the knowledge of defendants.

12. Answering Interrogatory 12, plaintiff states that it is presently without knowledge as to the information called for by sub-sections a, b, c and d but states, on information and belief, that said information is within the knowledge of defendants.

PARK-IN THEATRES, INC.,

By /s/ W. W. SMITH,
President.

State of Pennsylvania,
County of Philadelphia—ss.

Before me, a notary public in and for the state and county aforesaid, on this 11th day of October, 1948, personally appeared W. W. Smith, who, being to me personally known, and having been by me first duly sworn, did depose and say that the facts set forth in the foregoing instrument are true to the best of his knowledge and belief.

[Seal] /s/ E. K. MOEDERN,
Notary Public.

My commission expires Jan. 2, 1949.

Receipt of copy acknowledged.

[Endorsed]: Filed October 18, 1948. [20]

[Title of District Court and Cause.]

PLAINTIFF'S INTERROGATORIES PRO-
POUNDED TO DEFENDANTS UNDER
RULE 33 TO BE ANSWERED SEPA-
RATELY AND FULLY BY EACH AND
EVERYONE OF THE DEFENDANTS IN
WRITING UNDER OATH WITHIN
FIFTEEN DAYS

A. State the name and address (city or town, street and number) of each and every drive-in theatre which has, at any time, been made or caused to be made and built or caused to be built and sold or caused to be sold and/or used or caused to be used or leased, rented or licensed, directly or indirectly, by any of the defendants, of the type exemplified by the drive-in theatres referred to in paragraph 10 of the Complaint. [21]

B. As to each and every one of the drive-in theatres referred to in Interrogatory A, state separately the following:

(1) The name or names of the particular defendants who, at any time have, directly or indirectly, participated in, or who have or have had any interest in, the making, building, selling, using, leasing, renting, or licensing of the drive-in theatre, giving the character and extent of interest of each, from time to time;

(2) If the land on which the drive-in theatre is built was purchased for the purpose of building the

drive-in theatre, give the date upon which such purchase was made;

(3) If the land on which the drive-in theatre is built was leased for the purpose of building the drive-in theatre, give the date upon which such lease was made;

(4) The date upon which the construction of the drive-in theatre was begun;

(5) The date upon which the construction of the drive-in theatre was completed;

(6) The name and address of each corporation, firm or individual who participated in the building of the drive-in theatre in the capacity of architect, designer, engineer, builder, contractor, sub-contractor, owner, lessor, lessee, licensor, licensee, or any supervisory capacity;

(7) If the drive-in theatre was ever sold, give the date of each and every sale, the names and addresses of each and every seller and purchaser, and the selling price and all other monetary terms and/or consideration involved therein; [22]

(8) If the drive-in theatre was ever leased, give the date of each and every lease, the names and addresses of each and every lessor and lessee, and all monetary terms and considerations of the lease;

(9) The beginning and ending dates of all periods of operation of the drive-in theatre;

(10) The name and address of each owner and

part-owner (past or present) of the land upon which the drive-in theatre is built, when and since first purchased for that purpose;

(11) The name and address of each corporation, firm or individual which has at any time operated the drive-in theatre and the names and addresses of all stockholders, corporate officers and/or the firm-members of each such operator;

(12) The name and address of each corporation, firm or individual which has at any time managed the drive-in theatre and the names and addresses of all stockholders, corporate officers and/or the firm-members of each such manager;

(13) The total box-office receipts, exclusive of amusement taxes paid on admissions, by week or month, of the drive-in theatre;

(14) The total operating expenses, by week or month, fully itemized and classified, of the drive-in theatre;

(15) The total payments, by week or month, made to or received by each corporate officer and/or firm-member, as an individual, by way of salary, commission, rent, royalty, dividends and/or any other form of remuneration or profit-sharing of [23] any kind whatever;

(16) If the drive-in theatre has, at any time, been built or operated under license or assignment or other right under any unexpired United States Letters Patent, give the number of the patent, the beginning and ending dates of the license or assign-

ment or other patent right, and the amounts, by week or month, paid under such license or assignment or other patent right, by way of royalty, rental, lease or any other form of remuneration or compensation.

LYON & LYON,

By /s/ REGINALD E. CAUGHEY,
Attorneys for Plaintiff.

/s/ LEONARD L. KALISH,
Counsel for Plaintiff.

Receipt of copy acknowledged.

[Endorsed]: Filed October 18, 1948. [24]

[Title of District Court and Cause.]

ANSWER OF DEFENDANT SETH D.
PERKINS TO PLAINTIFF'S INTER-
ROGATORIES

Defendant Seth D. Perkins states that he does not understand and is without knowledge as to what is meant by a drive-in theatre "of the type exemplified by the drive-in theatre referred to in Paragraph 10 of the Complaint" to which Interrogatories A and B are directed and is therefore unable to answer Interrogatories A and B.

Defendant Seth D. Perkins further states on information and belief that the interrogatories are propounded in bad faith and in a manner to unreasonably annoy, harass and oppress the defendant

and subject the defendant to unnecessary expense and investigations; that the interrogatories are excessive, burdensome and irrelevant and answers thereto, even if known to [25] defendant, would not be admissible; that plaintiff has admitted that plaintiff does not know who built, sold or used theatres specified in Paragraph 10 of the Complaint and such admission is proof that the Complaint against defendant is sham, frivolous, false and not in good faith.

/s/ SETH D. PERKINS.

State of California,
County of Los Angeles—ss.

Before me, a Notary Public in and for the State and County aforesaid, on this 27th day of October, 1948, personally appeared Seth D. Perkins, who, being to me personally known, and having been by me first duly sworn, did depose and say that the facts set forth in the foregoing instrument are true to the best of his knowledge and belief.

[Seal] /s/ MYRTLE JOHNSON,
Notary Public in and for the County and State
above named.

My commission expires April 16, 1949.

Receipt of copy acknowledged.

[Endorsed]: Filed November 2, 1948. [26]

[Title of District Court and Cause.]

ANSWER OF DEFENDANT GEORGE E.
MITZEL TO PLAINTIFF'S INTERROGA-
TORIES

Defendant George E. Mitzel states that he does not understand and is without knowledge as to what is meant by a drive-in theatre "of the type exemplified by the drive-in theatre referred to in Paragraph 10 of the Complaint" to which Interrogatories A and B are directed and is therefore unable to answer Interrogatories A and B.

Defendant George E. Mitzel further states on information and belief that the interrogatories are propounded in bad faith and in a manner to unreasonably annoy, harass and oppress the defendant and subject the defendant to unnecessary expense and investigations; that the interrogatories are excessive, burdensome and irrelevant and answers thereto, even if known to [27] defendant, would not be admissible; that plaintiff has admitted that plaintiff does not know who built, sold or used theatres specified in Paragraph 10 of the Complaint and such admission is proof that the Complaint against defendant is sham, frivolous, false and not in good faith.

/s/ GEORGE E. MITZEL.

State of California,
County of Los Angeles—ss.

Before me, a Notary Public in and for the State and County aforesaid, on this 27th day of October,

1948, personally appeared George E. Mitzel, who, being to me personally known, and having been by me first duly sworn, did depose and say that the facts set forth in the foregoing instrument are true to the best of his knowledge and belief.

[Seal] /s/ MYRTLE JOHNSON,
Notary Public in and for the County and State
above named.

My commission expires April 16, 1949.

Receipt of copy acknowledged.

[Endorsed]: Filed November 2, 1948. [28]

[Title of District Court and Cause.]

ANSWER OF DEFENDANT LA VERE CO. TO
PLAINTIFF'S INTERROGATORIES

Defendant La Vere Co. states that it does not understand and is without knowledge as to what is meant by a drive-in theatre "of the type exemplified by the drive-in theatre referred to in Paragraph 10 of the Complaint" to which Interrogatories A and B are directed and is therefore unable to answer Interrogatories A and B except as follows:

La Vere Co. has built and now owns and operates a drive-in theatre at Jefferson Street and Sepulveda Boulevard in Los Angeles, California, and has applied for and intends to obtain a franchise under patent No. 2,102,718 and Reissue patent No. 22756 as well as applications for Letters Patent

issued to [30] and applied for by Louis P. Josserand, for a flat fee.

Defendant La Vere Co. further states that the interrogatories propounded by plaintiff are excessive, burdensome, ambiguous and irrelevant and answers thereto, even if known to this defendant, would not be admissible. Defendant further states on information and belief that the interrogatories are propounded in bad faith and in a manner to unreasonably annoy, harass and oppress this defendant and subject the defendant to unnecessary expense and investigation.

LA VERE CO.,

By /s/ MERTON E. NOYES,
Vice President.

State of California,
County of Los Angeles—ss.

Before me, a Notary Public in and for the State and County aforesaid, on this 30th day of October, 1948, personally appeared Merton E. Noyes, who, being to me personally known and having been by me first duly sworn, did depose and say that the facts set forth in the foregoing instrument are true to the best of his knowledge and belief.

[Seal] /s/ WM. F. HEYLER,
Notary Public in and for the County and State
above named.

My commission expires Aug. 5, 1951.

Receipt of copy acknowledged.

[Endorsed]: Filed November 2, 1948. [31]

[Title of District Court and Cause.]

ANSWER OF DEFENDANT DRIVE-IN
THEATRES OF AMERICA TO PLAINTIFF'S INTERROGATORIES

Defendant Drive-In Theatres of America states that it does not understand and is without knowledge as to what is meant by a drive-in theatre "of the type exemplified by the drive-in theatre referred to in Paragraph 10 of the Complaint" to which Interrogatories A and B are directed and is therefore unable to answer such Interrogatories A and B except as follows:

Defendant Drive-In Theatres of America has agreed to issue a franchise under Josserand patent No. 2,102,718 and Reissue patent No. 22756 and pending applications for patent to La Vere Co. covering a theatre located at Jefferson Street and Sepulveda Boulevard in Los Angeles, California, for a flat fee, and a portion of said fee has been received. [33]

Defendant Drive-In Theatres of America contemplates the issuance of a license under Josserand patent No. 2,102,718, Reissue patent No. 22756, and applications for Letters Patent now pending in the name of Louis P. Josserand covering a theatre located on Mt. Vernon Street near Mill Street in San Bernardino, California.

Defendant further states that the interrogatories propounded by plaintiff are excessive, burdensome, ambiguous and irrelevant and answers thereto, even if known to this defendant, would not be admissible.

Defendant further states on information and belief that the interrogatories are propounded in bad faith and in a manner to unreasonably annoy, harass and oppress this defendant and subject the defendant to unnecessary expense and investigation.

DRIVE-IN THEATRES OF
AMERICA,

By /s/ GEO. E. MITZEL,
Secretary.

State of California,
County of Los Angeles—ss.

Before me, a Notary Public in and for the State and County aforesaid, on this 2nd day of November, 1948, personally appeared George E. Mitzel, who, being to me personally known and having been by me first duly sworn, did depose and say that the facts set forth in the foregoing instrument are true to the best of his knowledge and belief.

[Seal] /s/ A. C. HENDERSON,
Notary Public in and for the County and State
above named.

My commission expires June 25, 1952.

Receipt of copy acknowledged.

[Endorsed]: Filed November 2, 1948. [34]

[Title of District Court and Cause.]

ANSWER

Come Now the defendants named in the above-entitled action and in answer to the complaint filed herein, admit, allege and deny as follows:

1. Defendants and each of them are without knowledge or information sufficient to form a belief as to the truth of the allegations of paragraph 1 of the complaint and therefore deny said allegations.

2. Each of the defendants admits the allegation of that subdivision of paragraph 2 of the complaint directed to the answering defendant. [36]

3. Defendants and each of them admit the allegations of paragraph 3 of the complaint.

4. In answer to paragraph 4 of the complaint, each of the answering defendants admits that Letters Patent No. 1,909,537 were issued May 16, 1933 to one Richard M. Hollingshead, Jr., but deny that said Letters Patent were duly and legally issued and deny that said Letters Patent were or are for an invention; defendants and each of them allege that said Letters Patent No. 1,909,537 were inadvertently issued without the citation of or the consideration of any prior art.

5. Each of the answering defendants alleges that he or it is without knowledge or information sufficient to form a belief as to the truth of the allegations recited in paragraph 5 of the complaint,

and therefore denies each and every of said allegations.

6. Each of the answering defendants denies each and every of the allegations of paragraph 6 of the complaint.

7. Defendants Seth D. Perkins and George E. Mitzel, jointly and individually, deny each and every of the allegations alleged and contained in paragraph 7 of the complaint.

8. Each of the answering defendants denies each and every of the allegations of paragraph 8 of the complaint.

9. The defendants and each of them deny each and every of the allegations of paragraph 9 of the complaint. [37]

10. In answer to paragraph 10 of the complaint, defendant La Vere Co. states that it has built and now owns and operates a motion picture theater located at Jefferson Street and Sepulveda Boulevard in Los Angeles, California; defendant La Vere Co. denies each and every of the allegations of paragraph 10 of the complaint; defendants Seth D. Perkins, George E. Mitzel and Drive-In Theatres of America and each of them deny each and every of the allegations of paragraph 10 of the complaint.

11. Each of the answering defendants denies each and every of the allegations of paragraph 11 of the complaint. Defendants and each of them specifically deny that non-existent, prospective, or

planned action, device or theater can constitute a cause of action for infringement or constitute a proper allegation in a complaint.

12. The answering defendants, individually and collectively, specifically deny each and every allegation of paragraph 12 of the complaint.

13. Defendants and each of them deny the allegations of paragraph 13 of the complaint.

14. Defendants and each of them are without knowledge or information sufficient to form a belief as to the truth of the matters alleged in paragraph 14 of the complaint, and therefore deny each and every statement and allegation of said paragraph 14.

15. Defendants deny the allegations of paragraph 15 of the complaint. [38]

16. Defendants and each of them specifically deny each and every allegation contained in paragraph 16 of the complaint.

17. As an Affirmative Defense, defendants and each of them allege that long prior to any purported act of invention on the part of Richard M. Hollingshead, Jr., others than said Hollingshead knew and used in this country the steps and means involved in projecting photographic images and pictures upon a surface whereby seated, walking and standing observers could and did observe the projected images and pictures; that long prior to any purported act of invention on the part of Richard M. Hollingstead, Jr., others than said Hollingshead

observed photographic images projected upon a vertical surface while such observers were seated in vehicles such as automobiles; that what is claimed in the claims of patent No. 1,909,537 does not constitute invention in view of what was known, used and published in this country prior to any purported act of invention on the part of Richard M. Hollingstead, Jr.

18. For a further, separate and affirmative defense, defendants allege that said Letters Patent No. 1,909,537 and each and every of the claims thereof is invalid and of no effect in law;

(a) Because the purported inventions and improvements and all material and substantial parts thereof set forth and claimed in said pretended Letters Patent No. 1,909,537 have been patented and described in the following patents prior to the supposed invention thereof by said Richard M. Hollingshead, Jr.: [39]

Lempert, Sept. 2, 1884.....	304,532
Adams, July 12, 1887.....	366,290
Mehling, Oct. 11, 1898.....	612,117
Douglas, July 9, 1901.....	677,961
Nilson, May 17, 1904.....	760,236
McKay, Dec. 27, 1904.....	778,325
Hale, Sept. 19, 1905.....	800,100
Harris, Jan. 23, 1906.....	810,646
Schetzel, March 13, 1906.....	814,875
White, Aug. 14, 1906.....	828,791
Ridgway, Nov. 27, 1906.....	836,708
Hart, Dec. 18, 1906.....	838,989

Jossenberger, July 9, 1907.....	859,604
Garette, Sept. 10, 1907.....	865,882
Freschl, Sept. 1, 1908.....	897,282
Parker, April 6, 1909.....	917,353
Rodden, July 11, 1911.....	997,704
Murie, Oct. 3, 1911.....	1,005,061
Senter, March 2, 1915.....	1,130,026
Truchan, July 13, 1915.....	1,145,946
Hinman, Dec. 14, 1915.....	1,164,520
Keefe, Aug. 28, 1917.....	1,238,151
Adsit, Oct. 22, 1918.....	1,282,164
Thompson, Aug. 16, 1921.....	1,388,130
Togersen, Nov. 15, 1921.....	1,397,064
Faber, Oct. 22, 1929.....	1,732,597
Geyling, et al, March 24, 1931.....	1,798,078
Bennett, Jan. 19, 1932.....	1,842,239
Koloawrat-Krakovsky, May 26, 1914.....	297,488
(German)	

and by other patents and printed publications which are not at present known to the defendants but which the defendants request [40] they be allowed to insert by amendment when ascertained;

(b) because the alleged invention set forth in said Letters Patent No. 1,909,537 was not novel and patentable when alleged to have been produced by the said Richard M. Hollingshead, Jr., and that said theater described and claimed in said Letters Patent and particularly the claims thereof had been known to others in this country prior to the alleged invention thereof by the said Richard M. Hollingshead, Jr., and particularly by the patentees and persons specified in subdivision (a) hereof;

(c) because the specification and claims of patent No. 1,909,537 and particularly claims 2, 4, 5, 6, 10, 15, 16 and 19 thereof describe and claim a theater devoid of any patentable invention in that said specification and claims merely disclose a theater which anyone skilled in the art would be capable of and expected to produce in the exercise of the ordinary skill of his calling;

(d) because the specification and claims of said Letters Patent No. 1,909,537 describe and claim mere aggregations of a number of old parts or elements which, in the claimed aggregations, perform or produce no new or different functions or operations than that heretofore performed or produced by them, and hence do not amount to patentable invention;

(e) because the specification and claims of said Letters Patent No. 1,909,537 and particularly claims 2, 4, 5, 6, 10, 15, 16 and 19 thereof describe and claim more than was actually invented by said Richard M. Hollingshead, Jr., if in fact and in law any invention was made by him.

19. Each of the answering defendants further alleges that the patentee of the patent in suit surreptitiously and unjustly obtained a patent for that which was in fact invented [41] by another or others and failed and unreasonably neglected to file a disclaimer of the subject matter which was not the invention of said Richard M. Hollingshead, Jr.

20. Defendants and each of them also allege that the patent in suit and each and every claim thereof is void and invalid because, for the purpose

of deceiving the public, the description and specification filed by the patentee in the Patent Office was made to contain less than the whole truth relative to his purported invention; and that said purported invention was not shown or described or defined by the claims of the patent in the suit in such full, clear, concise and exact terms as to enable those skilled in the art to practice the alleged invention or to clearly and exactly distinguish what, if anything, was actually the invention of said purported patentee.

21. Defendants and each of them further allege that the plaintiff, through its agents, representatives, employees and officers, has initiated and disengaged in a course of conduct contrary to sound public policy in the harassment of individuals engaged in the construction, operation and use of motion picture theaters, and in such course of conduct, is illegally and unfairly attempting to enforce and enforcing purported rights extending beyond the scope of any Letters Patent owned by said plaintiff; that said illegal extension of the patent monopoly is being employed by the plaintiff for the purpose of damaging each of the defendants in their business and reputation, the plaintiff knowing full well that the patent in suit is invalid and does not have the scope which plaintiff represents it to have; that plaintiff does not come into court with clean hands and is not entitled to relief, since plaintiff has used and is attempting to use the Letters Patent in suit as a means of acquiring interests [42] in theaters, their management, the supply of films thereto, the

operation of concessions therein and other activities which have no bearing upon and do not come within the scope of the patent in suit or any other patent.

Wherefore, these defendants pray that plaintiff take nothing by its complaint herein; that the patent in suit be held invalid and void; and that the said complaint be dismissed as to each of the defendants with judgment and execution for costs and reasonable attorneys' fees unnecessarily incurred by the defendants and each of them.

SETH D. PERKINS,
GEORGE E. MITZEL,
LA VERE CO.,
DRIVE-IN THEATRES OF
AMERICA.

By JOHNSON & LADENBERGER,
By /s/ SAM A. LADENBERGER,
/s/ C. A. MIKETTA,
Attorneys for Defendants.

Receipt of copy acknowledged.

[Endorsed]: Filed December 7, 1948. [43]

[Title of District Court and Cause.]

REQUEST FOR ADMISSIONS

Pursuant to the provisions of Rules 36 and 37 of the Federal Rules of Civil Procedure, the defendants request the plaintiff to admit, within twelve days after the service of his request, and for all the purposes of this action, the truth of each of the matters of fact set forth herein.

1. That prior to any act of invention by R. M. Hollingshead, Jr., relating to the subject matter of Patent No. 1,909,537, each of the following elements was known to and in use by others in this country:

- a) a stage
- b) a screen
- c) a motion picture projection booth
- d) a motion picture projection booth in operative relation to a screen
- e) an electrical sound reproducing means.

2. That prior to any act of invention by R. M. Hollingshead, Jr., relating to the subject matter of Patent No. 1,909,537, each of the following elements was known to and in use by others in this country:

- a) automobile stallways
- b) automobile driveways
- c) automobile stallways disposed adjacent to each other
- d) abutments in front of an automobile stallway to limit the forward motion of an automobile in said stallway.

3. That prior to any act of invention by R. M.

Hollingshead, Jr., relating to the subject matter of Patent No. 1,909,537, there was known to others and in use in this country each of the following combinations of elements:

a) a screen with a motion picture booth in operative relation thereto

b) a screen, motion picture booth in operative relation thereto, and arrangements for positioning spectators in front of the screen

c) a screen, motion picture booth in operative relation thereto, and electrical sound reproducing means

d) a screen, motion picture booth in operative relation thereto, electrical sound reproducing means, and arrangements for positioning spectators in front of the screen. [46]

4. That prior to any act of invention by R. M. Hollingshead, Jr., relating to the subject matter of Patent No. 1,909,537, persons seated in a vehicle provided with a windshield could view external objects coming within their angle of vision and not obstructed by opaque portions of the vehicle.

5. That prior to any act of invention by R. M. Hollingshead, Jr., relating to the subject matter of Patent No. 1,909,537, there was known to others and in use in this country an arrangement of the spectators' area in a theater such that spectators farther from the stage were positioned higher than those nearer thereto (attention is called to U. S. Patent No. 304,532).

6. That prior to any act of invention by R. M.

Hollingshead, Jr., relating to the subject matter of Patent No. 1,909,537, there was known to others and in use in this country an arrangement of the spectators' area in a theater such that spectators' lines of sight to the stage did not conflict with one another (attention is called to U. S. Patent No. 304,532).

7. That an arrangement whereby persons seated in a vehicle observe or view projected images is shown and described in:

a) U. S. Patent No. 778,325 issued to McKay in 1904.

b) U. S. Patent No. 800,100 issued to Hale in 1905.

c) U. S. Patent No. 1,005,061 issued to Murie in 1911.

d) German Patent No. 297,488 issued to Kolorat-Krakovsky in 1917.

e) U. S. Patent No. 1,238,151 issued to Keefe in 1917.

f) U. S. Patent No. 1,732,597 issued to Faber in 1929. [47]

8. That prior to any act of invention of R. M. Hollingshead, Jr., relating to the subject matter of U. S. Patent No. 1,909,537, there was known to others and in use in this country an outdoor theater including a stage and spaced rows of curvilinear means, for occupancy by spectators, arranged in front of the stage.

9. That prior to any act of invention by R. M. Hollingshead, Jr., relating to the subject matter of

U. S. Patent No. 1,909,537, there was known to others and in use in this country an outdoor theater including a stage and rows of means, for occupancy by spectators, arranged in front of the stage, said rows being separated by passageways through which spectators might pass between said rows.

10. That prior to any act of invention by R. M. Hollingshead, Jr., relating to the subject matter of U. S. Patent 1,909,537, there was known to others and in use in this country an outdoor theater including a stage and curvilinear rows of means, for occupancy by spectators, arranged in front of the stage, said curvilinear rows being separated by curvilinear passageways through which spectators might pass between said curvilinear rows.

11. That prior to any act of invention by R. M. Hollingshead, Jr., relating to the subject of U. S. Patent No. 1,909,537, there was known to others and in use in this country an outdoor theater including a stage and curvilinear rows of means, for occupancy by spectators, arranged in front of the stage, said curvilinear rows being separated by curvilinear passageways through which spectators might pass between said curvilinear rows, spectators occupying said means having a clear view of the stage.

12. That prior to any act of invention by R. M. Hollingshead, Jr., relating to the subject matter of U. S. Patent [48] No. 1,909,537, the use of a motion picture screen on a stage in theaters was well known in this country.

13. That the United States Patent Office did not cite prior patents or publications during the prosecution of that application which resulted in Letters Patent No. 1,909,537.

14. Important factors affecting the visibility of a motion picture screen by a spectator include:

a) Height of the bottom of the screen above a horizontal plane through the base of the spectator-supporting means

b) distance from the spectator-supporting means to the screen

c) size of the screen.

15. Patent No. 1,909,537 does not define any of the factors referred to in paragraph 14, in feet, inches, yards, meters or any other unit of measurement.

16. That Patent No. 1,909,537 does not disclose, in degrees, minutes or other unit of measurement, what difference in angular inclination to the horizontal should exist between successive stallways removed from the stage, as referred to in claim 15 of that patent.

17. That Patent No. 1,909,537 does not disclose whether the difference referred to in paragraph 16 should be uniform from one pair of successive rows to another, or should vary from the front of the theater to the rear thereof.

18. That Patent No. 1,909,537 does not disclose, in feet, inches, yards, meters or other unit of measurement, what difference in height should exist

between successive stallways removed from the stage, as referred to in claim 15 of that patent. [49]

19. That Patent No. 1,909,537 does not disclose whether the difference referred to in paragraph 18 should be uniform from one pair of successive rows to another, or should vary from the front of the theater to the rear thereof.

20. That automobiles vary as to overall height.

21. That automobiles vary as to height of seats above ground level.

22. That automobiles vary as to distance of the front seat back from the windshield.

23. That automobiles vary as to distance of the rear seat back from the windshield.

24. That automobiles vary as to effective vertical transparent height of the windshield.

25. That the factors defined in paragraphs 22-24, inclusive, affect the ability of occupants of automobiles in a theater to see the entire height of the screen through their windshields.

26. That the factors defined in paragraphs 20 and 21 affect the ability of occupants of automobiles in a theater to see the entire height of the screen unobstructed by intervening automobiles.

27. That defendants' Exhibit 1 appended hereto diagrammatically illustrates a theater having the screen of height S and seating means arranged in eighteen spaced rows in front of the screen, said dia-

gram being drawn to a scale $\frac{1}{4}$ in. = 1 ft. and that the line marked "eye level" represents the level of eyes of average adult occupants of seating means, in accordance with said scale.

28. That defendants' Exhibit 1 appended hereto diagrammatically illustrates a theater having a screen of height S and seating means arranged in eighteen spaced rows in front of the screen, said seating means being supported upon a flat, horizontal plane at a lower level than the bottom of the screen. [50]

29. That defendants' Exhibit 1 appended hereto diagrammatically illustrates a theater having the screen of height S and seating means arranged in eighteen spaced rows in front of the screen, said seating means including seats, said seats being substantially in a common horizontal plane passing through the bottom of the screen.

30. That in the theater such as is diagrammatically illustrated on appended defendants' Exhibit 1, showing a screen of height S and rows of seats positioned in front of such screen, the included angle of view of the screen for an occupant of a seat in row No. 1 at a distance D1 from the screen (such angle being indicated by A1) is greater than the included angle of view for an occupant of a seat in row No. 3 at a Distance D3 from the screen.

31. That in a theater such as is diagrammatically illustrated in appended defendants' Exhibit 1, hav-

ing seats arranged in spaced rows facing a screen of height S;

(a) the angle of view of the screen for occupants of seats 1, 3, 11, and 18 is indicated by angles A1, A3, A11, and A18, respectively;

(b) said indicated angles of view are progressively smaller as the distance from the screen increases;

(c) the angle of view of the screen for an occupant of a seat further removed from the screen is smaller than the angle of view of the screen for an occupant closer to the screen.

32. That in a theater such as is diagrammatically illustrated in appended defendants' Exhibit 1, having seats arranged in spaced rows facing a screen of height S; [51]

(a) an average adult seated in seat one can see along the bottom of screen S;

(b) an average adult seated in seat 18 cannot see along the bottom of screen S;

(c) an average adult seated in seat 11 cannot see along the bottom portion of screen S.

33. That in a theater such as is diagrammatically illustrated in appended defendants' Exhibit 1, having seats arranged in spaced rows facing a screen of height S;

(a) the angle of view of the screen for an occupant of seat 1 is not obstructed;

(b) an occupant of seat 1 has an unobstructed view of the screen S;

(c) the angle of view of the screen for an occu-

pant of seat 11 (said angle being indicated at A11) is obstructed;

(d) the angle of view of the screen for an occupant of seat 18 (said angle being indicated at angle A18) is obstructed;

(e) an average adult occupant of seat 18 has an obstructed view of the screen S.

34. That in a theater diagrammatically illustrated in defendants' Exhibit 1 appended hereto, changes in inclination of the planes occupied by seats of the seating means from horizontal to +15 degrees or -15 degrees;

(a) would not change the "eye level" of occupants of such seats

- (1) significantly
- (2) appreciably
- (3) materially; [52]

(b) would not change the size of the angles of view of the screen for occupants of seats 1, 3, 11 and 18

- (1) significantly
- (2) appreciably
- (3) materially;

(c) would not allow occupants of seats 11 and 18 to have an unobstructed view of the entire screen S.

35. That defendants' Exhibit 2 appended hereto illustrates a theater provided with a screen having height S and rows of spaced seating means drawn to scale of $\frac{1}{4}$ in. = 1 ft., the seating means of rows 1 to 9, inclusive, being supported upon a horizontal

plane at a lower level than the bottom of the screen S, seating means 11 to 16, inclusive, being supported upon a horizontal plane slightly above the level of the bottom of the screen and seating means 18 being supported upon a horizontal plane materially above the level of the bottom of the screen S.

36. That in defendants' Exhibit 2, the lines marked "eye level" represent the level of the eyes of the average adult occupants of seating means diagrammatically illustrated in said diagram.

37. That in a theater arranged as diagrammatically illustrated by defendants' Exhibit 2;

(a) an occupant of seating means 1 has an unobstructed view of screen S;

(b) the angle of view of the screen S for an occupant of seating means 11 (said angle being indicated at A11) is obstructed;

(c) the angle of view of the screen S for an occupant of seating means 18 (said angle being indicated at A18) is obstructed; [53]

(d) occupants of seating means 11 to 16, inclusive, and each of them, do not have an unobstructed view of screen S.

38. That in a theater diagrammatically illustrated in defendants' Exhibit 2, changes in inclination of the planes occupied by seats of the seating means from horizontal to +15 degrees or -15 degrees;

(a) would not change the "eye level" of occupants of such seats

(1) significantly

(2) appreciably

(3) materially;

(b) would not change the size of the angles of view of the screen S for occupants of seats 1, 3, 11 and 18

(1) significantly

(2) appreciably

(3) materially;

(c) would not allow occupants of seats 11 to 16, inclusive, and each of them, to have an unobstructed view of the entire screen S.

39. That the angles of view of the screen S for occupants of the seats depicted in defendants' Exhibits 1 and 2 would be increased by increasing the height of such screen S.

40. That the angles of view of the screen S for occupants of the seats depicted in defendants' Exhibits 1 and 2 [54] and each of them would be decreased by decreasing the height of such screen.

Dated this 26th day of January, 1949.

JOHNSON & LADENBERGER,

By /s/ DON A. LADENBERGER,

/s/ C. A. MIKETTA,

Attorneys for Defendants.

DEFENDANTS'S EXHIBITS Nos. 1 AND 2

[Defendant's Exhibits Nos. 1 and 2 attached to the foregoing Request for Admissions are contained in volume II, page 163.]

[Title of District Court and Cause.]

PLAINTIFF'S RESPONSE UNDER RULE
36-a (1) TO PART OF DEFENDANTS'
REQUEST FOR ADMISSIONS

State of New Jersey,
County of Camden—ss.

Willis Warren Smith being duly sworn deposes and says that he is 60 years of age, a citizen of the United States and resides at 825 Morris Avenue, in Bryn Mawr, Montgomery County, Pennsylvania, and that he is the Managing Director of plaintiff and the one most familiar with and in direct charge of its affairs and that, as such, he makes the following answer [58] or response to defendants' Requests 1 to 5, 8 to 13 and 20 to 24 (all inclusive) for Admissions;—defendants' said Requests being denied except to extent expressly admitted by the following:

1. Request 1 admitted with the qualification that none of the elements referred to in Request 1 were known or used in a drive-in theater prior to the date referred to in Request 1.

2. Request 2 is admitted as to part or sub-section

“b” thereof and is denied as to parts or sub-sections “a”, “c” and “d” thereof because the term “automobile stallways” was not used prior to the filing date of patent 1,909,537. The term “automobile stallways” as used in patent 1,909,537 has reference to sections or segments of an inclined car-aiming ramp. Moreover, the undersigned has never heard of the use of the term “automobile stallways” in connection with anything, prior to the filing date of Hollingshead patent 1,909,537.

3. Request 3 is admitted with the qualifications that prior to the date referred to in Request 3 the various combinations of elements recited in parts or sub-sections “a”, “b”, “c” and “d” of Request 3 were known and used only in and as a part of conventional indoor motion-picture theaters in which the spectators were seated on rows of chairs or benches fastened to or placed on a floor-surface or on floor-surfaces, but not in or as a part of any drive-in theater.

4. Request 4 is admitted.

5. Request 5 is admitted with the qualification that prior to the date referred to in Request 5 the arrangement referred to in Request 5 was known and used only in and as a part of conventional theaters in which the spectators were seated on rows of chairs or benches fastened to or placed on a floor-surface or floor-surfaces, but not in or as a part of any drive-in theater.

6. No statement is made with respect to Request

6, in [59] in view of written objections thereto which are to be served and filed simultaneously herewith.

7. No statement is made with respect to Request 7, in view of written objections hereto which are to be served and filed simultaneously herewith.

8. With respect to Request 8, the undersigned states that prior to the date referred to in Request 8 there were outdoor theaters including a stage and spaced rows of chairs or benches arranged in straight-line parallel relationship in front of the stage for occupancy by individual spectators but states that he has no knowledge of any "curvilinear means" in such theaters prior to said date and therefore denies the Request 8, as worded, on information and belief.

9. Request 9 is admitted with the qualifications that prior to the date referred to in Request 9 the only "rows of means" of which the undersigned is aware were rows of chairs or benches, and that "passageways" were for spectators to pass on foot and were usually inadequate to permit spectators to pass between the rows except when the other occupants of the chairs or benches stood up.

10. Request 10 is denied. The undersigned states that prior to the date referred to in Request 10 there were outdoor theatres including a stage and rows of means, consisting of chairs or benches, disposed in straight-line parallel relationship, for occupancy by spectators, arranged in front of the

stage, said rows being separated by passageways through which spectators might pass on foot (between said rows) but generally only when the other occupants stood up, but states that he is unaware of any "curvilinear rows" or any "curvilinear passageways," in such theatres prior to said date and therefore denies Request 10, as worded, on information and belief.

11. Request 11 is denied for the reasons specified in paragraph 10 above and for the further reason that the [60] spectators did not have a clear view of the stage while other spectators passed directly in front of them.

12. Request 12 is admitted with the qualifications that prior to the date referred to in Request 12 a motion-picture screen was used on a stage only in conventional indoor motion-picture theatres and not in connection with drive-in theatres.

13. Request 13 is denied.

14-19. No statements are made with respect to Requests 14 to 19, inclusive, in view of written objections thereto which are to be served and filed simultaneously herewith.

20. Request 20 is admitted.

21. Request 21 is admitted.

22. Request 22 is admitted.

23. Request 23 is admitted.

24. With respect to Request 24, the undersigned

states that he cannot answer said Request because he does not know what meaning defendants' attorneys intend to ascribe to the expression "effective vertical transparent height," but admits that automobile windshields vary in size and position.

25-40. No statements are made with respect to Requests 25 to 40, inclusive, in view of written objections thereto which are to be served and filed simultaneously herewith.

/s/ WILLIS WARREN SMITH.

Sworn to and subscribed before me this 19th day of February, 1949.

[Seal] /s/ ANNE C. BOYLE,
Notary Public.

My commission expires Feb. 25, 1951. [61]

Receipt of copy acknowledged.

[Endorsed]: Filed February 23, 1949.

[Title of District Court and Cause.]

PLAINTIFF'S OBJECTIONS UNDER RULE
36-A(2) TO PART OF DEFENDANTS' RE-
QUEST FOR ADMISSIONS

(namely, Requests 6 & 7, 14 to 19 and 25 to 40)

Now comes plaintiff, by its attorneys, and objects to part of defendants' Request for Admissions, namely Requests 6 and 7, 14 to 19 inclusive, and 25 to 40 inclusive;—the remaining Requests (namely

Requests 1 to 5 inclusive, 8 to 13 inclusive, and 20 to 24 inclusive) having been answered in the sworn statement of Willis Warren Smith, as served and filed simultaneously herewith. The grounds for objections are as follows: [63]

(6) Plaintiff objects to Request 6 because

(A) a copy of U. S. patent 304,532, referred to in the request, was not served;

(B) the request is ambiguous, if not, indeed, meaningless, and, as worded, irrelevant, since the "spectators' lines of sight to the stage" cannot possibly "conflict with one another" because "sight lines" are merely imaginary lines leading from the eyes of each spectator to the various parts of the stage or screen to which the spectator may direct his view, and many of such sight-lines from various parts of the theatre to various parts of the stage or screen necessarily cross one another, and such crossing is not relevant,

(C) if the request was intended to be addressed

(1) to an arrangement of the spectators' area in a theatre such as the spectators' line of sight to all parts of the stage or screen are not obstructed or cut off or blocked off, from time to time, by the bodies, heads or hats of other spectators nearer the stage or screen, and

(2) to defendants' seeming contention that U. S. patent 304,532 discloses such an arrangement in theatres,

then the request calls for an expression of opinion

as to the scope of the prior-art (and not “the truth of any relevant matters of fact” as specified in Rule 36-a), and

(D) the request is then also improper because it involved conclusions of law (*Fidelity Trust Company vs. Village of Stickney*, 129 F.2d 506, 511 CCA 7), and

(E) the request then improperly seeks an expression of opinion as to what is disclosed in a public document (namely a United States patent), and [64]

(F) the request is then also vague and indefinite even if it is intended to be addressed to the matters set out in foregoing sub-section “C” of the within paragraph 6 and, for that reason, cannot be answered or responded to either with an admission or a denial, because the obstruction or non-obstruction of any of the many sight lines of any particular spectator is dependent upon his particular location in the (conventional indoor) theatre and whether the spectator is tall or short and whether the persons in front of him (or her) are tall or short, broad-shouldered or narrow-shouldered, and whether the persons in front of him (or her) are seated or standing and whether the persons in front are wearing large hats or small hats or no hats at all, and whether they are leaning their heads to the right or to the left and whether the spectator whose sight-lines are involved happens to be looking to the left side or to the right side of the stage or to a point high up on the screen or to a point low on the screen.

(7) Plaintiff objects to Request 7 because

(A) no copies of the patents, referred to in the request, were served,

(B) the request calls for expressions of opinion as to the scope of the prior-art (and not "the truth of any relevant matters of fact" as specified by Rule 36-a),

(C) the request involves conclusions of law such as are improper, especially since they go to one of the principal issues in the case (namely the alleged lack of invention of the patent-in-suit over the prior-art) *Fidelity Trust Co. vs. Village of Stickney*, 129 F.2d 506, 511 (CCA 7), [65]

(D) the request improperly seeks an expression of opinion as to what is disclosed in various public documents (namely United States and foreign patents).

(14) Plaintiff objects to Request 14 because the request is indefinite and improperly calls for an expression of opinion as to what are "important factors" and does not call for an admission "of the truth of any relevant matters of fact."

(15-19) Plaintiff objects to each of Requests 15 to 19 inclusive because

(A) the requests improperly call for expressions of opinion as to what is disclosed in the patent-in-suit, which is a public document,

(B) the requests improperly call for admissions which would be irrelevant and immaterial because they go to questions of size and dimensions whereas it is well settled that there is no need to include

specific figures as to size or dimensions in a patent, so long as the general structure and principle of operation are disclosed

Motor Improvements Inc. vs. General Motors Corp., 49 F.2d 543, 548 (CCA 6)

Edison Electric Light Co. vs. United States Electric Lighting Co., 52 Fed. 300, 309 (CCA 2),

(C) the request improperly seeks to require plaintiff to interpret the patent-in-suit.

(25-6) Plaintiff objects to Requests 25 and 26 because

(A) the requests are indefinite and improperly call for expressions of opinion as to what are "factors" which "affect the ability of occupants of automobiles in a theatre to see the entire height of the screen," [66]

(B) the request improperly seeks admissions which would be irrelevant and immaterial because they would not relate to the structure of the patent-in-suit and would amount to mere generalizations.

(27-40) Plaintiff objects to Requests 27 to 40 inclusive because

(A) the requests are not directed to "any relevant matters of fact" within the meaning of Rule 36-a and, instead, are addressed to argumentative hypothetical drawings prepared by or for defendant's attorneys and represent an improper attempt by defendants to ease upon plaintiff the burden and expense of proving defendants' own case:

Hopstal vs. Loewenstein,

7 FRD 263, 264 (DC ND Ill.)

Booth Fisheries Corp. vs. General Foods
Corp.,

27 F. Supp. 268 271 (DC Del.),

(B) the requests improperly seek admissions which would be irrelevant and immaterial because the structure represented in the argumentative hypothetical drawings of Exhibits 1 and 2 do not represent either the structure of the patent-in-suit or the structure of any prior-art patent or publication relied on by defendants, and

(C) the requests improperly seek expressions of opinion as to what is disclosed in defendants' hypothetical argumentative drawings and seek conclusions not involving the "truth of any relevant matters of fact" within the meaning of Rule 36-a.

LYON & LYON,

By /s/ REGINALD E. CAUGHEY,
Attorneys for Plaintiff.

/s/ LEONARD L. KALISH,
Counsel for Plaintiff.

Receipt of copy acknowledged.

[Endorsed]: Filed February 23, 1949. [67]

[Title of District Court and Cause.]

NOTICE OF HEARING UPON PLAINTIFF'S
MOTION FOR AN EXTENSION OF TIME
TO RESPOND TO DEFENDANTS' RE-
QUEST FOR ADMISSIONS UNDER
RULES 36 AND 37 AND FOR HEARING
OF PLAINTIFF'S OBJECTIONS TO CER-
TAIN OF SAID REQUESTS

To Seth D. Perkins, George E. Mitzel, La Vere Co.,
a California Corporation, and Drive-In
Theatres of America, a California Corporation,
and to Johnson & Ladenberger, Robert Gibson
Johnson and Don A. Ladenberger, and C. A.
Miketta, Their Attorneys:

Please take notice that on Monday, March 7, 1949,
at the hour of 10:00 o'clock a.m. or as soon there-
after as counsel can be heard, the plaintiff will call
up for hearing before the Honorable J. F. T. O'Con-
nor, or some other Judge of this court, in the Court
Room of said Judge in the Post Office and Court-
house Building, Los Angeles, California, plaintiff's
Motion for an Extension of Time to respond to de-
fendants' request for admissions heretofore filed
and for a hearing upon plaintiff's objections to cer-
tain of said requests for admissions.

LYON & LYON,

/s/ REGINALD E. CAUGHEY,
Attorney for Plaintiff.

/s/ LEONARD L. KALISH,
Of Counsel.

Receipt of copy acknowledged.

[Endorsed]: Filed February 23, 1949. [69]

[Title of District Court and Cause.]

MOTION FOR AN EXTENSION OF TIME
UNDER RULE 6b(2) TO RESPOND TO
DEFENDANTS' REQUEST FOR ADMIS-
SIONS

Now comes the plaintiff, by its attorneys, Lyon & Lyon, and moves the court for an order that said plaintiff be allowed to file its response to certain of defendants' requests for admissions served upon defendants' counsel with this Motion and for a further order that said plaintiff be allowed to object to certain of defendants' requests for admissions as set forth in plaintiff's objections thereto served upon defendants' counsel with this Motion.

That upon the hearing of said Motion, the plaintiff will rely upon Rule 6b(2) of the Federal Rules of Civil Procedure, upon the Affidavits of Leonard L. Kalish, Willis Warren Smith and Reginald E. Caughey, filed in support of said Motion and upon the following cases in support of its motion for an extension of time within which to file its answers to said request for [71] admissions:

Kohloff v. Ford Motor Co.,
1 F.R.S. 37, 27 F. Supp. 803;

O'Leary v. Liggett Drug Co.,
3 F.R.S. 167; 1 F.R.D. 272;

Schram v. O'Connor,
5 F.R.S. 43; 2 F.R.D. 192;

Coca-Cola Co. v. Busch,
7 F.R.S. 34;

Blanton v. Pacific Mutual Life Ins. Co.,
8 F.R.S. 59; 4 F.R.D. 200,
appeal from Court's Order dismissed
146 F.2d 725;

Hopstal v. Loewenstein,
7 F.R.D. 263, 264.

In support of plaintiff's objections to certain of defendants' requests for admissions, plaintiff will rely upon Rules 36 and 37 of the Federal Rules of Civil Procedure and upon the cases specifically cited in plaintiff's objections to said specific requests.

LYON & LYON,

/s/ REGINALD E. CAUGHEY,
Attorneys for Plaintiff.

/s/ LEONARD L. KALISH,
Of Counsel. [72]

[Title of District Court and Cause.]

AFFIDAVIT OF LEONARD L. KALISH

(In support of plaintiff's Motion under Rule 6-b(2) for extension of time to respond under parts 1 and 2 of Rule 36-a to defendants' Request for Admissions under Rules 36 and 37.)

Commonwealth of Pennsylvania,
County of Philadelphia—ss.

Leonard L. Kalish, being duly sworn, deposes and says:

I am an attorney at law, specializing in patent and trademark matters, with offices in the Land Title Building, in Philadelphia, Pennsylvania, and member, in good standing, [73] of the bars of the Supreme Court of the United States and of the District Courts of the United States for the Eastern District of Pennsylvania and for the District of Columbia, and of the Courts of Appeals of the United States for the Third Circuit and for the District of Columbia, and of the U. S. Court of Customs and Patent Appeals.

I am of counsel for plaintiff in the above-entitled action and have had charge of all patent matters, for plaintiff, since 1933. See *Park-In Theatres, Inc. vs. Rogers*, 130 F.2d 745 (CCA 9) and *Park-In Theatres, Inc. vs. Loew's Drive-In Theatre*, 70 F. Supp. 880.

A copy of defendant's Request for Admissions was received, in my office, on January 31, 1949;—

having been forwarded to me by my co-counsel, Messrs. Lyon & Lyon of Los Angeles, California.

Directly upon the receipt of defendants' Request for Admissions, I telephoned to plaintiff's offices in Camden, New Jersey, with a view to arranging to confer with Mr. Willis Warren Smith, plaintiff's Managing Director, to whom all matters involved in litigation must be referred, but was advised that Mr. Smith was out of the Country, and would probably not return to the United States until the latter part of that week.

I again 'phoned Mr. Smith's offices, in Camden, New Jersey, on Saturday morning, February 5, 1949, but got no answer, and 'phoned again on Monday, February 7th, to learn that Mr. Smith had not yet returned to the United States but was expected back the following morning (February 8th), and was advised by his office that upon his return he would be asked to telephone me.

On February 9, 1949 I was engaged in the United States District Court for the Eastern District of Pennsylvania, and later that day I left for Washington, in connection with hearings which had been scheduled for me in Washington for February 10th. I did not [74] return from Washington until late evening on February 10th.

I telephoned Mr. Smith's office again on Friday morning, February 11th, to learn that he was out of town, and I was unable to reach him either that day or the next.

Mr. Smith contacted me for the first time (after

his return to the United States) on Monday, February 14th.

Messrs. Lyon & Lyon, of Los Angeles, have acted as plaintiff's attorneys and counsel in litigation and in patent matters on the West Coast, for many years (see *Park-In Theatres, Inc., vs. M. A. Rogers*, 130 F. 2d 745; CCA-9) and in such patent matters and litigation I have been associated with Messrs. Lyon & Lyon, as co-counsel. In all such litigation in which I have been associated with Messrs. Lyon & Lyon for a number of years, it has been the practice that Messrs. Lyon & Lyon would forward to me all papers served upon them, so that I might consider them and take them up with our mutual client, in Camden, New Jersey, and that if the time for reply was unusually short, or if they did not hear from me within the time limit allowed for response, Messrs. Lyon & Lyon would either communicate with me to inquire of my needs for further time or would (failing to receive a formal paper from me) ask opposing counsel for an extension of time or ask the Court for an extension of time.

In this action, I relied upon Messrs. Lyon & Lyon to obtain a suitable extension of time to respond (under parts 1 and 2 of Rule 36-a) to defendants' Request for Admissions, particularly as such Request for Admissions was quite voluminous and only twelve days were allowed by defendants' attorneys for response (and a good part of the twelve days would necessarily have to be consumed in transmission through the mails, first Eastward and then Westward). [75]

It is for this reason that I assumed that, under the circumstances, Messrs. Lyon & Lyon would, without any special request on my part, take timely action to obtain an extension of time, if they did not hear from me within the obviously inadequate time-limit fixed by defendants' counsel.

After my conference with Mr. Smith on February 14th I telephoned to the offices of Messrs. Lyon & Lyon, to inquire as to how much of a time-extension had been obtained in this matter, but was advised that Mr. Reginald E. Caughey (of the firm of Lyon & Lyon) who is in direct charge of this action (in Los Angeles) on behalf of plaintiff, was then in Washington, D. C. I thereafter talked to Mr. Caughey, over the telephone, in Washington, and arranged for him to come to Philadelphia to confer with me in this matter, which he did, the evening of Tuesday, February 15, 1949—in the consideration of the propriety of the defendants' Request for Admissions and in the consideration of the preparation of Motion for extension of time. After conferring with me the evening of Tuesday, February 15th and again on the morning of February 16, 1949, Mr. Caughey left for Los Angeles. I again conferred with Mr. Caughey in connection with this matter, over long-distance telephone, on Friday, February 18, 1949.

I was advised by Mr. Caughey that, through inadvertence, namely, through a clerical oversight or error, defendants' Request for Admission was not placed on his calendar, and for that reason, the matter of obtaining an extension of time (beyond

the 12-day limit set by defendants' attorneys) in which to respond (under parts 1 and 2 of Rule 36-a) to defendants' Request for Admissions, escaped his attention as well as the attention of other members of his firm, and was not called to their attention until my first telephone call (above referred to) to Mr. Caughey's office in Los Angeles. [76]

For the foregoing reasons, no extension of time was obtained (although it should have been obtained) in which to respond, under parts 1 and 2 of Rule 36-a, to defendants' Request for Admissions.

It was plaintiff's intention, at all times, to respond to some of defendants' Requests for Admissions (under part 1 of Rule 36-a) and to object to other of such Requests (under part 2 of Rule 36-a), and the delay in filing such responses (by way of sworn statement as to some of the Requests and by way of denials and explanations as to some of the other Requests) was due wholly to inadvertence, accident and mistake, as shown by the accompanying affidavit of William Warren Smith in support of plaintiff's Motion under Rule 6-b(2) for an extension of time in which to respond to defendants' Request for Admissions, and as also shown by my own within affidavit.

I therefore respectfully request that the time within which plaintiff may serve and file its objections to certain of defendants' Requests for Admissions and the sworn statement of its Managing Director as to the other said Requests, be extended,

under Rule 6-b(2), to and including the date upon which the same are filed (simultaneously herewith).

/s/ LEONARD L. KALISH.

Sworn to and subscribed before me this 19th day of February, 1949.

[Seal] /s/ ELIZABETH M. MARR,
Notary Public.

My commission expires Jan. 15, 1953. [77]

[Title of District Court and Cause.]

AFFIDAVIT OF WILLIS WARREN SMITH

(In support of plaintiff's Motion under Rule 6-b(2) for extension of time to respond under parts 1 and 2 of Rule 36-a to defendants' Request for Admissions under Rules 36 and 37.)

State of New Jersey,
County of Camden—ss.

Willis Warren Smith, being duly sworn, deposes and says:

I am 60 years of age, a citizen of the United States and reside at 825 Morris Avenue, in Bryn Mawr, Montgomery County, Pennsylvania, and my business offices are at 840 Cooper Street, [78] Camden, New Jersey.

I am the same Willis Warren Smith who made a sworn statement constituting Plaintiff's Response under Rule 36-a(1) to certain of defendants' Requests for Admissions, namely, to Requests 1 to 5,

inclusive, 8 to 13, inclusive and 20 to 24, inclusive.

I am advised that defendants' Request for Admissions under Rules 36 and 37 was served on plaintiff's attorneys, in Los Angeles, on Friday afternoon, January 28, 1949, and that plaintiff's said attorneys, on that day, forwarded defendants' said Request for Admissions to plaintiff's Philadelphia attorney, Leonard L. Kalish, Esq. of Land Title Building, Philadelphia, Pa., who is in charge of all patent matters for plaintiff.

I am further advised that defendants' said Request for Admissions was received in Mr. Kalish's office on January 31, 1949.

It was not possible for any of plaintiff's attorneys to confer with me in connection with this matter (or in connection with any other matter) since the date of service of defendants' aforesaid Request for Admissions until Monday, February 14, 1949, because I was out of the Country from January 21, 1949, to February 8, 1949 (in various parts of Central and South America)—having returned to the United States on February 8, 1949. I did not return to my office until late afternoon of February 8, 1949. I was required to attend to some urgent business matters and was required to be and was out of town on Friday and Saturday, February 11 and 12, 1949 (namely, I was in Clifton Heights, Pennsylvania and in Vineland, New Jersey on Friday, February 11, 1949, and I was in Newburgh and in Elmsford, New York on Saturday, February 12, 1949). For these reasons I was not able to (and did not) contact and was unavailable to my attor-

ney from January 20, 1949 to February 14, 1949. [79]

Directly upon being advised, on *January 14, 1949*, for the first time, of the fact that defendants have filed a Request for Admissions, I conferred with my attorney (Mr. Kalish) concerning the same, and told him that plaintiff most certainly wished to respond to such of defendants' Requests for Admissions as were not objectionable.

The consideration and appraisal of defendants' Requests for Admissions, and the preparation of the response thereto, required a considerable amount of time—partly because defendants' Requests for Admissions are so voluminous and partly because between February 14, 1949, when Mr. Kalish first had an opportunity to confer with me, until the date of this affidavit, I was also out of town a considerable part of the time and hence unavailable to Mr. Kalish either for personal conference or even for consultation over the telephone (having been in New York City the afternoon of February 15 and all day on February 16, 1949, and having been in Trenton and in Newark, New Jersey and in New York City on February 18, 1949, and in New York City almost all day on February 19, 1949).

I therefore, on behalf of plaintiff, respectfully request that the time within which plaintiff may respond under parts (1) and (2) of Rule 36-a, to defendants' Requests for Admissions, be extended under Rule 6-b(2) in order that an unjust result may not be worked in this action.

In support of this request for an extension of

time I further respectfully submit that plaintiff's failure to file the accompanying responses under parts (1) and (2) of Rule 36-a within the time limit specified by defendants' attorneys in their said "Request for Admissions," was due wholly to inadvertence and largely to circumstances beyond the control of either plaintiff or plaintiff's attorney, namely, my absence from the Country at the time, and I further respectfully submit that it was never the [80] intention of plaintiff not to respond to defendants' "Request for Admissions" or to permit such requests to stand as having been admitted merely for the lack of a denial of the matters as to which defendants requested admissions.

That the matters as to which defendants so requested admissions were not proper to be admitted but were proper to be denied, is shown, I respectfully submit, by my sworn statement of even date herewith with respect to requests 1 to 5, 8 to 13, and 20 to 24 inclusive, and also by my attorney's objections to the remaining requests, and is also shown by the fact that at least one of the requests, namely request 13, goes to a matter as to which a public record available to defendants' attorneys would reveal, at a glance, that the matters as to which defendants requested an admission were not matters of fact at all, and that the fact was directly contrary to the admission sought, because the "file-wrapper" of patent 1,909,537, which was and is at all times open to inspection, in the Patent Office, shows that during the prosecution of the application which resulted in patent No. 1,909,537, the U. S.

Patent Office (on January 11, 1933) during the prosecution of the application which resulted in patent No. 1,909,537, did cite (in paper No. 2) the United States patent 1,830,518 issued on November 3, 1931, to William S. Mason of Bridgeport, Connecticut, on "Building With Facilities for Automobile Parking and Transportation" and did also cite page 162 of the February, 1931, issue of "The Architectural Record."

Further deponent sayeth not.

/s/ WILLIS WARREN SMITH.

Sworn to and subscribed before me this 19th day of February, 1949.

[Seal] /s/ ANNE C. BOYLE,
Notary Public. [81]

[Title of District Court and Cause.]

AFFIDAVIT OF REGINALD E. CAUGHEY IN
SUPPORT OF PLAINTIFF'S MOTION
UNDER RULE 6-b(2) FOR EXTENSION
OF TIME TO RESPOND UNDER PARTS
1 AND 2 OF RULE 36-a TO DEFENDANTS'
REQUEST FOR ADMISSIONS UNDER
RULES 36 AND 37

State of California,
County of Los Angeles—ss.

Reginald E. Caughey, being first duly sworn, deposes and says:

That I am a member of the firm of Lyon & Lyon,

attorneys for the plaintiff in the above-entitled action; that the firm of Lyon & Lyon has represented the plaintiff Park-In Theatres, Inc., for a long number of years in connection with litigation involving patent 1,909,537; that, although said firm has acted as local attorneys for the plaintiff, Mr. Leonard L. Kalish, chief patent counsel for the plaintiff, has directed all of the litigation involving said patent; that in all of the previous litigation involving said patent all motions, pleadings, etc., have been promptly referred to Mr. Kalish for his consideration and no [82] action thereon has been taken by the firm of Lyon & Lyon except under his direction; that the defendants' request for admissions in the above-entitled action was served on me on Friday, January 28, 1949, and in accordance with previous practice I promptly forwarded a copy thereof on the same date to Mr. Kalish; that prior to forwarding said copy I briefly reviewed the same and saw that the nature and length of the request for admissions necessitated consideration by Mr. Kalish and that we did not have sufficient information in Los Angeles to answer or object to any specific request and I further realized that any answers would have to be made by Willis Warren Smith on behalf of the plaintiff inasmuch as Mr. Smith to my knowledge was the only one in the plaintiff organization who had sufficient information concerning the litigation to make the answers; that I further realized from the importance of the above-entitled litigation that answers to the specific requests would be made by the plaintiff or objec-

tions thereto filed on behalf of the plaintiff; that this litigation is one of a series of actions which have been brought involving Hollingshead patent 1,909,537 which is now before the court of appeals for the first circuit from the decision of the district court for the district of Rhode Island wherein the patent in suit was held valid and infringed; that it has been the custom and practice in the past in connection with all motions and papers forwarded to Mr. Kalish for me, as a member of the firm of Lyon & Lyon who has been in charge of the litigation in this office, to secure an order of court or extensions of time if the responses to any motions, etc., have not been received from Mr. Kalish prior to the return date; that in this connection extensions have previously been secured from Mr. Miketta in the above-entitled action; that I was engaged in matters which took up my time during the week commencing February 7, 1949, and said matters were of such importance that they necessitated my going to Washington, D. C., during [83] said week; that solely through inadvertence the time within which answers to defendants' request for admissions or objections thereto should be filed, including the time within which to request an extension of said time, was overlooked by me; that I am the only one connected with Lyon & Lyon who was responsible for obtaining an extension of time if Mr. Kalish did not forward any answers or objections to said request for admissions; that unless I had failed to note said time I would have requested Mr. Miketta for an extension of time within

which to answer or object to the request for admissions or I would have requested the court for an extension of said time explaining the reasons therefor if Mr. Miketta had refused to grant the same; that I would have done this knowing Mr. Kalish would desire the same and realizing that the nature of the request necessitated considerable consideration; that it was not until Tuesday, February 15, 1949, and while I was in Washington, D. C., that I became aware of the fact that I had failed to secure the extension of time within the time specified by Rule 36; that this came up during a telephone conversation with Mr. Kalish who called me from Philadelphia after previously calling the office in Los Angeles; that the inadvertence to note said time was due to the fact that I was very busily engaged in connection with the legal matter which subsequently took me to Washington, D. C., and because I was not active in preparing any answers to the request for admissions or any objections thereto.

/s/ REGINALD E. CAUGHEY.

Subscribed and sworn to before me this 23rd day of February, 1949.

[Seal] /s/ IRENE J. KNUDSEN,
Notary Public in and for the County and State
above named.

Receipt of Copy Acknowledged.

[Endorsed]: Filed February 23, 1949. [84]

[Title of District Court and Cause.]

PLAINTIFF'S ANSWER TO DEFENDANTS'
REQUEST FOR ADMISSIONS NUM-
BERED "15"

State of Pennsylvania,
County of Phila.—ss.

Samuel Herbert Taylor, Jr., being duly sworn,
deposes and says:

I am 47 years of age (will be 48, this month) and reside at 3421 Norwood Avenue, Merchantville, New Jersey, and I am a graduate of the engineering school of Pennsylvania State College, and I am a registered professional engineer, under the laws of the State of New Jersey. [102]

Since 1923, I have been employed in the County Engineer's Office of Camden County, New Jersey, in engineering work, and since 1938, I have been the County Engineer of Camden County, New Jersey, in charge of civil engineering such as planning and construction of highways, bridges, etc.

Since 1933, I have also been the engineer for plaintiff in the above-entitled action, and have prepared for plaintiff and for its licensees working drawings and specifications to be used as a basis for entering into contracts with contractors for the building of drive-in theatres of patent No. 1,909,537 in various locations, and I am thoroughly familiar with the building of drive-in theatres of patent No. 1,909,537, and have (continuously since 1933) prepared many such contract-drawings and contract-

specifications for use in the building of such drive-in theatres of patent No. 1,909,537.

Patent No. 1,909,537 does define:

a) height of the bottom of the screen above a horizontal plane through the base of the spectator-supporting means,

b) distance from the spectator - supporting means to the screen, and

c) size of the screen,

in feet, inches, yards, meters or any other unit of measurement, insofar as said patent shows and describes the relationships of the various elements and factors above referred to, according to the principle of the invention of said patent, and the dimensions above referred to are readily ascertainable (in inches, feet or yards) from said patent, by laying out these relationships on a piece of paper or by laying them out directly on the ground. Thus, while no dimensions are written into patent No. 1,909,537 in the form of feet, inches, yards or meters, such dimensions are defined in said patent by the description and drawings of the [103] principle and mode of operation of the drive-in theatres of said patent No. 1,909,537, which are set forth sufficiently to enable anyone to translate the disclosure of said patent into feet, inches, yards, meters or other suitable measurements as to the

a) height of the bottom of the screen above a horizontal plane through the base of the spectator-supporting means,

- b) distance from the spectator-supporting means to the screen, and
- c) size of the screen.

/s/ SAMUEL HERBERT
TAYLOR, JR.

Sworn to and subscribed before me this 5th day of April, 1949.

[Seal]: /s/ E. K. MOEDERN,
Notary Public.

My Commission Expires January 4, 1953.

The foregoing Answer to defendants' Request for Admission #15, as included in the sworn response of Samuel Herbert Taylor, Jr., constitutes and is hereby adopted as plaintiff's Answer to said Request for Admission.

LYON & LYON,
/s/ REGINALD E. CAUGHEY.

Receipt of Copy Acknowledged.

[Endorsed]: Filed April 13, 1949. [104]

[Title of District Court and Cause.]

MOTION FOR DISMISSAL

To Park-In Theatres, Inc., and Lyon & Lyon, its attorneys:

Please take notice that on Monday, December 19,

1949, at the hour of 10 o'clock a.m., or as soon thereafter as counsel can be heard, the defendants will call up for hearing before the Honorable James M. Carter, Judge, U. S. District Court, in the courtroom of said Judge, in the Post Office and Courthouse Building, Los Angeles, California, defendants' motion for dismissal of the instant action, said motion being based upon the following grounds:

1. It is urged that the instant action be dismissed against the present defendants on the ground that the patent in suit and each and every of the claims relied upon by the plaintiff are invalid. [106]

2. The pleadings and record in this case give basis for a summary judgment of invalidity of the patent in suit and justify dismissal of the action.

1. This Action Should be Dismissed Because the Patent in Suit is Invalid.

The patent in suit has been held invalid by the United States Court of Appeals for the First Circuit in the case of *Loew's Drive-In Theatres, Inc., v. Park-In Theatres, Inc.*, 174 F(2) 547. That decision held each of the claims here in suit to be invalid, and although the plaintiff, *Park-In Theatres, Inc.*, applied for a writ of certiorari to the Supreme Court of the United States, certiorari was denied in October of 1949 (70 S. Ct. 68). Plaintiff then applied for an extension of time for a rehearing, which was granted (70 S. Ct. 95), and after the petition for rehearing was filed and considered by the Supreme Court, such Court denied

the request for rehearing on December 5, 1949. The patent in suit is therefore invalid.

The instant action is for infringement of the patent. It is elemental that an invalid patent cannot be infringed, and this very fundamental rule was clearly stated by the Court of Appeals for the Ninth Circuit in *Willamette-Hyster Co. v. Pacific Car & Foundry Co.*, (112 F(2) 492).

Since the patent in suit is invalid and it is impossible to find infringement of an invalid patent, there is no basis for the present action and it should be dismissed. [107]

2. The pleadings and records in this case are sufficient to grant summary judgment of invalidity or to substantiate a judgment dismissing the complaint.

The patent in suit relates to a so-called drive-in theater in which automobiles take the place of the ordinary theatre seats. The decision of the Court in 174 F(2) 547 clearly states the grounds upon which the patent was held invalid and for the Court's convenience, excerpts from the decision pertaining to this point are quoted herein.

“* * * This arcuate arrangement of parking stalls in a lot is obviously only an adaptation to automobiles of the conventional arrangement of seats in a theatre employed since ancient times to enable patrons to see the performance while looking comfortably ahead in normal sitting position without twisting the body or turning the head. * * * But nevertheless there is nothing inventive in adapt-

ing the old arcuate arrangement of seats in a theatre to automobiles in a parking lot as the means to achieve horizontal pointing. Indeed the plaintiff does not seriously contend that there is.

“Its contention is that the faculty of invention was called for to devise means for aiming cars vertically, or tilting them, to provide clear fields of vision ahead for persons sitting therein.

“Certainly terracing the parking lot as the means for giving occupants of cars in the rearward rows of stalls a clear field of vision over the tops of cars in front is not inventive. It is again only an adaptation of the familiar sloping floor of the conventional theatre. Nor was the [108] faculty of invention required to grade each row of stalls to an appropriate vertical angle, the rearward rows at successively lesser angles, to aim the cars in each row at the screen. Anyone with even ordinary perception would certainly realize that the vertical angles of the automobiles would have to be adjusted with reference to the height of the screen to achieve clear vision of the screen, and that on a terraced lot the rearward rows of stalls would have to be at successively lesser angles of upward inclination or else the occupants of cars in those rows would not only look over the tops of the cars ahead, but also, unless they craned their necks, look over the screen entirely. And grading the stalls longitudinally as the means for tilting cars in them vertically surely does not call for inventive ingenuity.”

It is to be noted that the Court of Appeals did not specifically refer to prior patents in support

of its holding of invalidity. The record in the instant case refers to prior patents which support this decision and render a holding of invalidity inescapable. Your Honor can take judicial notice of the fact that in the Coliseum of Rome, as well as in Soldiers' Field in Chicago, there were seats arranged in an arcuate manner around a central point or stage. It is conventional in all theatres, from Greek days to the present, to arrange these seats in terraced form, those furthest away from the stage being at a slightly higher elevation than those closer to the stage. All that the instant patentee has done is substitute seats in an automobile for those which normally would have been supported by the ground itself. [109]

The arcuate, as well as terraced, arrangement of seating means in an auditorium or theater is well illustrated in prior art patent No. 304,532, issued in 1884 to Lempert and cited in the answer.

The prior patents, moreover, clearly and definitely show that as early as 1904 people seated in automobiles have looked at motion pictures. Reference is here made to the McKay patent No. 778,325 issued in 1904 (cited in defendants' answer), which, in Fig. 2, illustrates an automobile (15) mounted upon an upwardly inclined runway or trackway, the occupants of such automobile being able to look at motion pictures projected upon a screen 39 and a proscenium arch 41. The appended affidavit of counsel specifically calls attention to portions of this patent which state that the vehicle is inclined upwardly (as required by some of the claims in suit)

and that the motion pictures are projected and viewed by the passengers while they are occupying seats in the vehicle. This patent, therefore, adds further support for the conclusions reached by the Court of Appeals of the First Circuit in holding the patent invalid.

The file of the instant case also makes reference to the Hale patent No. 800,100, issued in 1905, which describes an arrangement whereby persons seated in a vehicle may observe motion pictures projected upon a screen 12, as best illustrated in Fig. 3 of the said patent. In the event it is necessary to show that vehicles occupied adjoining stallways while the occupants of various vehicles observed the same motion picture screen, Your Honor may wish to look at the Keefe patent No. 1,238,151 issued in 1917, which illustrates a number of vehicles 17 in adjacent relation in adjacent stallways, the occupants of these vehicles viewing motion pictures projected upon a screen 14 in very much the same manner as is done in modern drive-in theaters. [110]

3. The record in this case is sufficient to support a judgment of dismissal.

It is submitted that plaintiff, in the instant case, has admitted facts which now prevent plaintiff from contending that the patent is valid. The admitted facts render the decision of the Court of Appeals for the First Circuit controlling.

Defendants in the instant case file requests for admissions and, in response thereto, the plaintiff has admitted that each of the following elements

was old: a stage, a screen, a motion picture projection booth in operative relation to a screen, electrical sound reproducing means, auto stallways, auto driveways, etc. More specifically, plaintiff has admitted (as indicated by the record in the instant case):

“That prior to any act of invention by R. M. Hollingshead, Jr., relating to the subject matter of U. S. patent No. 1,909,537, there was known to others and in use in this country an outdoor theater, including a stage and rows of means, for occupancy by spectators, arranged in front of the stage, said rows being separated by passageways through which spectators might pass between said rows.”

Plaintiff has also admitted that prior to any acts of invention by the patentee of the patent in suit

“* * * there was known to others and in use in this country an arrangement of the spectators' area in a theater such that spectators further from the stage were positioned higher than those nearer thereto.”

Since these arrangements were old, there is no invention involved in substituting automobiles for ordinary theater seats. Certainly there is no invention in placing the automobiles upon [111] inclines in view of what is shown in patent No. 778,325 issued in 1904. Certainly there is no invention in any of the elements of the claims of the patent in suit since, as previously indicated, the alleged patentee did not invent an automobile stallway, he did

not invent a stage, a screen, a motion picture projection booth, or sound reproducing means.

It is therefore urged that, in view of the record before Your Honor and in view of the prior decision by the Court of Appeals for the First Circuit, this action should be dismissed.

4. The complaint should be dismissed, or in the alternative, an early trial date set.

The plaintiff, Park-In Theatres, Inc., knowing full well that the patent in suit was invalid, has harassed defendants herein and the entire trade all over the country and has imposed a high royalty burden on over six hundred theaters in this country. The instant action was brought against these defendants not because plaintiff actually believed that the patent in suit was valid but only for the purpose of injuring defendants in their respective businesses. The record definitely shows that plaintiff has avoided and evaded the issues; it has refused to answer requests for admissions; answers to certain requests for admissions have been made in an argumentative and false manner in order to cause the defendants to go to added expense in presenting proof of facts which should have been admitted originally. The present defendants have been caused to incur needless and unnecessary expense in their defense.

It is therefore urged that the present action be either dismissed or an early trial date set, and defendants be given the right to file an amended answer and counterclaim for the purpose of having

this court adjudicate the invalidity of the [112] patent in suit and impose costs and attorney's fees upon the plaintiff.

Dated this 8th day of December, 1949.

JOHNSON & LADENBERGER,

By /s/ DON A. LADENBERGER,

/s/ C. A. MIKETTA,

Attorneys for Defendants.

[Title of District Court and Cause.]

AFFIDAVIT

State of California,
County of Los Angeles—ss.

C. A. Miketta, being duly sworn, deposes and states that he is an attorney-at-law with offices at 210 West Seventh Street, Los Angeles, California; that he is of counsel in the above-entitled case and that each of the patents mentioned hereinafter are specifically referred to in the answer on file in such case.

Affiant has carefully studied the patent in suit No. 1,909,537 and the claims thereof and has made a careful study of prior patents and publications relating to the subject matter of [114] the patent in suit; that the study convincingly shows that patent No. 1,909,537 is invalid for lack of invention and by reason of the fact that it fails to comply with R. S. 4888 (35 U.S.C.A. §33).

Affiant states that each of the claims of said

patent was held invalid on grounds clearly stated by the United States Court of Appeals for the First Circuit in the case of Loew's Drive-In Theatres, Inc. v. Park-In Theatres, Inc., reported at 174 F(2) 547. That the United States Court of Appeals for the First Circuit correctly stated that the arrangement defined by the patent in suit "is obviously only an adaptation to automobiles of the conventional arrangement of seats in a theater employed since ancient times" and in support thereof affiant states that substantitally the same arrangement of seats is illustrated in the Lempert patent No. 304,532 issued in 1884 and cited in defendants' answer in the instant case. A copy of the Lempert patent is appended hereto as Exhibit B.

The Court of Appeals was correct in holding that there was no invention involved in tilting cars vertically, and as evidence thereof affiant calls attention to patent No. 778,325 issued in 1904 to McKay, which clearly illustrates an arrangement whereby persons seated in a vehicle upon an incline were permitted to view a motion picture projected upon a screen toward which such vehicle was aimed. The McKay patent is attached hereto as Exhibit C and specific attention is drawn to page 1, lines 76, 77 and page 2, lines 21-28.

Affiant further calls attention to the fact that vehicles in adjacent relationship, aimed toward a common motion picture screen, are illustrated in the Keefe patent No. 1,238,151, issued in 1917, said patent clearly describing an arrangement whereby persons seated in the said vehicles could simultaneously

observe motion pictures projected upon the screen 14, as best [115] illustrated in Fig. 3 of patent No. 1,238,151 (a copy of said patent being attached hereto as Exhibit D).

Dated this 8th day of December, 1949.

/s/ C. A. MIKETTA.

Subscribed and sworn to before me this 8th day of December, 1949.

[Seal]: /s/ MILDRED K. BADGER,
Notary Public in and for the County and State
above-named.

My Commission Expires Mar. 2, 1952.

Receipt of Copy Acknowledged.

[Endorsed]: Filed December 9, 1949. [116]

At a stated term, to wit: The September Term. A.D. 1949, of the District Court of the United States of America, within and for the Central Division of the Southern District of California, held at the Court Room thereof, in the City of Los Angeles, on Monday the 19th day of December, in the year of our Lord one thousand nine hundred and forty-nine.

Present: The Honorable: James M. Carter,
District Judge.

[Title of Cause.]

ORDER DEFENDANTS' MOTION
FOR DISMISSAL

For (A) hearing motion of defendants, filed Dec. 9, 1949, to dismiss the action on the grounds (1) invalidity of patent, and (2) record in the case is basis for a summary judgment of invalidity; (B) for setting; R. E. Caughey, Esq., appearing as counsel for plaintiff; C. A. Miketta, Esq., appearing as counsel for defendants;

Attorney Miketta argues in suport of motion, and Attorney Caughey argues in opposition.

It is stipulated and ordered that defendants' motion be deemed a motion for summary judgment, that it be deemed that plaintiff to have joined with defendant moved for summary judgment, on the question of invalidity.

It is stipulated and orderd that defendants have to, and including Dec. 21, 1949, to file a supplemental or amended motion; that the motions stand

submitted on the record, together with briefs, and affidavits to be filed; plaintiff to have to, and including Jan. 6, 1950, to file opposing documents and defendants to have to, and including Jan. 16, 1950, to file reply documents. [117]

[Title of District Court and Cause.]

MOTION FOR SUMMARY JUDGMENT

Pursuant to the order of the Court made during the hearing held December 19, 1949, permitting defendants to file an amplified Motion For Summary Judgment, the defendants in the above-entitled case now present their Motion For Summary Judgment and pray the Court to hold the patent in suit invalid. It is understood that plaintiff joins with defendants in the presentation of this Motion For Summary Judgment.

It is submitted that the patent in suit is invalid and judgment of invalidity should be granted for the following reasons:

1. The patent in suit is invalid for the reasons stated by the United States Court of Appeals for the First Circuit [118] (*Loew's Drive-In Theatres, Inc. v. Park-In Theatres, Inc.*, 174 F(2) 547). It is to be noted that in such First Circuit case the plaintiff applied for a writ of certiorari to the Supreme Court of the United States and certiorari was denied (70 S. Ct. 68). Plaintiff then applied for an extension of time for a re-hearing which was

granted (70 S. Ct. 95) and after the petition for re-hearing was filed and considered by the Supreme Court such Court denied the request for re-hearing on December 5, 1949.

Although the decision of the Court of Appeals for the First Circuit is not binding upon Your Honor, it is extremely persuasive and under the commonly accepted rules of comity this Court should not reach a different conclusion unless the reasons expressed by the First Circuit in their decision are clearly overcome by the plaintiffs in this action and unless the plaintiffs in this action can show Your Honor that the First Circuit was in error as a matter of law. It is submitted that plaintiffs cannot show that the First Circuit erred inasmuch as the United States Supreme Court denied a writ of certiorari; such denial is in effect a holding that there was no error in the reasoning or decision of the First Circuit.

2. It is submitted that the patent in suit is invalid as a matter of law for lack of invention over the prior art. The claims of the patent in suit, and particularly claims 2, 4, 5, 6, 10, 15, 16, and 19 thereof, are devoid of any patentable invention in that they merely disclose a theatre which anyone skilled in the art would be capable of and expected to produce in the exercise of the ordinary skill of his calling, particularly in view of the numerous outdoor theatres, amphitheatres, and stadia of the prior art (illustrated and referred to in the Encyclopedia Britannica, Fourteenth Edition, Volume

I, Pages 847 and 848, and Volume XXI, plates 1 and 2, opposite Pages 272 and 273, said pages being attached hereto as defendants' Exhibits A1, A2, A3, and A4) and the showings of each of the following Letters Patent:

Lempert, September 2, 1884.....	304,532
Adams, July 12, 1887.....	366,290
Mehling, October 11, 1898.....	612,117
Nilson, May 17, 1904.....	760,236
McKay, December 27, 1904.....	778,325
Hale, September 19, 1905.....	800,100
Harris, January 23, 1906.....	810,646
White, August 14, 1906.....	828,791
Ridgway, November 27, 1906.....	836,708
Fheschl, September 1, 1908.....	897,282
Truchan, July 13, 1915.....	1,145,946
Hinman, December 14, 1915.....	1,164,520
Keefe, August 28, 1917.....	1,238,151
Togersen, November 15, 1921.....	1,397,064
Geyling, et al., March 24, 1931.....	1,798,078

each of which being mentioned in Section 18 of defendants' Answer. [120]

3. The patent in suit is invalid for the reason that it fails to define and claim the invention in such full, clear, concise and exact terms as are required by the provisions of R. S. 4888 (35 U.S.C.A. Section 33). Your Honor will readily appreciate that among the important factors which affect the visibility of a motion picture screen by a spectator one must consider:

a. the height of the bottom of the screen

above a horizontal plane through the seat upon which the spectator rests,

b. the distance from the spectator's seat to the screen,

c. the size of the screen,

d. the overall height of the automobile; the height of the seat above the ground; and the distance between the seat and the windshield,

e. the effective vertical transparent height of the windshield of the automobile; the angle of inclination of the back of the seat; etc.

It is notable that the patent in suit does not specify these controlling factors and does not define them in feet, inches, yards, meters, degrees, or any other unit of measurement. As a result the patent does not actually disclose or teach the invention, in its claims so as to "enable any person skilled in the art or science to which it appertains, or with which it is most nearly connected, to make, construct, compound, and use the same." (U.S.C.A. Section 33). [121]

4. A still further reason why the patent in suit is invalid is that, at the point where the "invention" purportedly exists, the patentee uses functional language. For example, in claim 2 the supposed invention is expressed in the following words:

"said automobile stall-ways being at a vertical angle with respect to the stage such as will produce a clear angle of vision from the seat of the automobile * * *"

The Claim Is Invalid On Its Face

“* * * * The claim is invalid on its face. It fails to make a disclosure sufficiently definite to satisfy the requirements of R. S. §4888, 35 U.S.C. §33. * * *” (Page 368).

“* * * * Patents, whether basic or for improvements, must comply accurately and precisely with the statutory requirements as to claims of invention or discovery. The limits of a patent must be known for the protection of the patentee, the encouragement of the inventive genius of others and the assurance that the subject of the patent will be dedicated ultimately to the public. The statute seeks to guard against unreasonable advantages to the patentee, and disadvantages to others arising from uncertainty as to their rights. * * *” (Page 369).

“* * * *

The claim further states that the grains must be ‘of such size and contour as to prevent substantial sagging and offsetting’ during a commercially useful life for the lamp. The clause is inadequate as a description of the structural characteristics of the grains. * * *” [122]

“* * * * Claim 25 vividly illustrates the vice of a description in terms of function. * * * *”

General Electric Co. v. Wabash Co., 304 U. S. 364 at pages indicated.

In considering this motion, Your Honor is requested to note that plaintiff does not contend that there is invention in any single element described in the patent in suit; plaintiff admitted that the ele-

ments, individually, are old; plaintiff simply contends that the combination in the claims is new and inventive. This was developed at the hearing held before the Court on December 19, 1949.

In support of the Motion For Summary Judgment of invalidity plaintiff will rely upon the appended Exhibits A1, A2, A3, and A4, copies of each of the prior art patents referred to in Sub-Division 2 hereof and listed in the Answer on file in this case, the decision of the Court of Appeals for the First Circuit, the Admissions of plaintiff in response to defendants' requests, the pleadings and papers on file in this case and the appended affidavit of counsel. Points and authorities will be submitted with defendants' reply due January 16, 1950. Pursuant to the order of this Court plaintiff is to file its memorandum on January 6, 1950.

Dated this 21st day of December, 1949.

/s/ C. A. MIKETTA,
Attorney for Defendants.

Service and receipt of the above Motion For Summary Judgment is hereby acknowledged this 21st day of December, 1949.

LYON & LYON,
By /s/ R. E. CAUGHEY,
Attorneys for Plaintiff. [123]

[Title of District Court and Cause.]

AFFIDAVIT IN SUPPORT OF MOTION FOR
SUMMARY JUDGMENT OF INVALIDITY

State of California,
County of Los Angeles—ss.

C. A. Miketta, being duly sworn, deposes and states that he is an attorney-at-law with offices at 210 West Seventh Street, Los Angeles, California; that he is one of the attorneys of record in the above-entitled case; that affiant has carefully studied the patent in suit No. 1,909,537 and the claims thereof and has made a careful study of prior patents and publications relating to the subject matter of the said patent; that among said publications affiant shall refer to Exhibits A1, A2, A3 and A4 (being excerpts from the Encyclopedia Britannica, 14th Edition) and prior patents, [124] Exhibits B1-B15, inclusive, said patents being listed in defendants' answer in this case and appearing on page 5 of said answer.

Affiant states that the patent in suit relates to a so-called drive-in theater, including among other elements, the following:

a stage (claims 2, 4, 10 and 15,) or screen (claims 5 and 6,) or "exhibiting means" (claims 16 and 19);

stallways for automobiles, arranged in front of the stage or screen so as to face the screen or stage;

a motion picture projector and electrical reproducing means;

an abutment along the front boundary of each of the stallways for limiting forward movement of the automobiles therein (claims 4 and 6);

some means for longitudinally tilting the automobiles in the stallways, stated in some of the claims as follows: "said automobile stallways being at a vertical angle with respect to the stage such as will produce a clear angle of vision from the seat of the automobile, through the windshield thereof to the stage, free from obstruction from the automobiles ahead of it." (claims 2, 4, 5, 6, etc.) [125]

In other claims the tilt is simply stated to be for the purpose of producing or "to produce a generally clear angle of vision * * *," as in Claim 10. In certain of the claims, such as 15, 16 and 19, it is stated that the stalls further removed from the stage are successively higher (claims 15, 16, 19.)

Affiant states that the plaintiff in this action has in its interrogatories and by admissions in Court, admitted that the patentee of the patent in suit did not invent automobiles, stallways, a stage or screen, a motion picture projector, nor electrical reproducing means. Affiant states that outdoor theaters per se are old, as is evidenced by ancient amphitheaters and in support thereof refers to pages 847 of 848 of Volume 1 of the Encyclopedia Britannica, 14th Edition, said pages constituting Exhibits A1 and A2 hereof.

Affiant states that there is no invention involved in arranging seats in curvilinear rows facing a stage, screen or other exhibition means and such curvilinear arrangements are exemplified in many amphitheaters and stadia, both in the United States and in foreign countries, built long before the filing date of the patent in suit. In support thereof affiant refers to Exhibits A1, A2, A3 and A4, constituting plates 1 and 2 from Volume 21 of the Encyclopedia Britannica, 14th Edition. Affiant calls attention to the fact that on plate 2 (Ex. A4) the photograph identified by the number 5 is that of an ancient amphitheater at Nimes, France, and points out that the upper left-hand portion of said photograph clearly shows adjacent stallways into which vehicles could have been driven and could now be driven for the purpose of permitting the occupants to observe the "exhibiting [126] means" located in the center of the arena or stadium.

Deponent states that whether seats for observers are supported on a floor (above ground), as in theaters, or on terraced ground, is immaterial. Curvilinear arrangements, as well as terracing, are illustrated in patent No. 304,532 (Ex. B1). Page 847 of the Encyclopedia Britannica (Ex. A1) refers to an amphitheater "in which the seats were placed largely on banked-up earth." The tilting of floors (in whole or in part) in a theater is not new and patent No. 366,290 (Ex. B2) describes an arrangement whereby

"* * * The floor of an entire hall may be

given any desired inclination; or, if preferred, the floor may be divided into several sections, each of which may be provided with my invention, and all or any one or more of the sections may be inclined, as desired." (Page 1, lines 62-68)

The placement of seats upon an incline is clearly shown in patent No. 800,100 (Ex. B6,) page 2, lines 31-33. Deponent states that the prior patents clearly show that the arrangement of observers either upon terraced ground or upon seats arranged in terraces and directed toward the scene or stage is not new and in support thereof refers to patent No. 612,117 (Ex. B3) which describes a vehicle having terraced seats

"* * * which rise from the front toward the rear, this giving an opportunity for passengers on the rear seats to have an unobstructed view over the heads of those in front." (Page 1, lines 31-35).

Affiant calls attention to the fact that there is no invention in pointing a vehicle toward the view and in support thereof refers to patent No. 810,646 (Ex. B7) and No. 836,708 (Ex. B9). [127] In both of said patents arrangements are provided for positioning a vehicle in such manner that the occupants of the vehicle observe the screen or view. Affiant calls attention that in the arrangement illustrated in Ex. B6 the vehicle itself is pointed toward a motion picture screen, so that persons seated in

the vehicle observe motion pictures, the patent stating:

“The floor of the car is preferably arranged on an incline to give the passengers a good view.” (Page 2, lines 31-33).

Affiant states that the prior patents clearly show and describe vehicles pointed toward a screen upon which motion pictures are projected so as to permit occupants of the vehicles to clearly see the screen; that such combination of elements is shown in the McKay patent No. 778,325 (Ex. B5) issued in 1904, wherein a vehicle 15 is shown positioned upon an incline, the vehicle being directed toward a proscenium 41 and a screen 39, motion pictures being projected upon the screen and proscenium by means of a motion picture projector 37. Such arrangement is best illustrated in Fig. 2 of the patent Ex. B5.

Deponent further calls attention to the fact that a similar arrangement of a vehicle whose occupants may look at motion pictures is illustrated in patent No. 1,145,946 (Ex. B11,) wherein motion pictures are projected upon the screen 23 while the occupants of the vehicle are seated in the seats 22.

Deponent calls attention to the fact that placement of vehicles in side-by-side relation, all of the vehicles being directed toward a common screen, is clearly illustrated in patent No. 1,238,151 issued in 1917 (Ex. B13). In Ex. B13 the occupants of vehicles 17, arranged in side-by-side relation view a common screen 14 upon which motion pictures are projected by the projector 15. [128]

The projection of motion pictures in the open air does not differ from the projection of motion pictures within an enclosure and the patentee of the patent in suit was not the first to project motion pictures in the open air, as evidence by patent No. 1,798,078 (applied for in 1928 and issued in 1931,) defendants' Ex. B15. There the projection apparatus is mounted in a tower 6 and the pictures are projected upon a large screen 1 so as to be visible to the occupants of vehicles, one of said vehicles being illustrated in Fig. 1 of Ex. B15.

Deponent states that there is no invention in tilting a seat so as to permit the occupant to more comfortably observe what is front of him and means for tilting seats have been available since at least 1907, as indicated by patent No. 897,282 (Ex. B10) and patent No. 1,164,520 (Ex. B12). Deponent states that it is common knowledge and within the experience of all motorists who have travelled in mountainous areas to reach a lookout point and find that such lookout is ordinarily provided with an edge barrier provided with an inwardly directed sloping surface; that it was common practice long prior to the patent in suit to drive a vehicle onto such lookout point, point it in the direction of the desired view and drive the front wheels of the vehicle onto the sloping barrier so as to permit the occupants a clear angle of view from the seat of the automobile through the windshield thereof. Affiant states that in view of the disclosures of the prior patents, the availability of sloping floors (as indicated by Ex. B2,) the ancient use of terraced earthen banks (as indicated

by the excerpt from the *Britanica*, Ex. A1,) and the other teachings of other prior art which indicate the desirability of actually pointing the vehicle at the scene to be observed, there is no invention defined in the claims of the patent in suit, and as stated by the Court in the First Circuit decision (174 F.(2) 547): [129]

“Anyone with even ordinary perception would certainly realize that the vertical angles of the automobiles would have to be adjusted with reference to the height of the screen to achieve clear vision of the screen, * * *”

and that

“* * * grading the ground upon which an automobile is to be placed for the purpose of giving it the tilt desired would be the first expedient to occur to anyone * * *.”

Affiant is therefore convinced that the patent in suit No. 1,909,534 does not disclose an invention and that such patent is invalid, since it is contrary to the established rules pertaining to invention.

“It was never the object of those laws to grant a monopoly for every trifling device, every shadow of a shade of an idea, which would naturally and spontaneously occur to any skilled mechanic or operator in the ordinary progress of manufactures.”

Atlantic Works v. Brady 107 U.S. 192, 199-200; cited with approval in *Wilson-Western*

Sporting Goods Company v. Barnhart (CA 9) 81 F(2) 108.

The rule is also clearly stated in Phillips et al. v. Detroit, 111 U.S. 604; Mantle Lamp Co. v. Aluminum Products Co., 301 U.S. 544; Ray v. Bunting Iron Works, (CA 9) 4 F(2) 214.

Affiant states that he has personally prepared numerous drawings to scale and has demonstrated to his own satisfaction that factors which affect the visibility of a motion picture screen by spectators include:

(a) the height of the bottom of the screen above a horizontal plane through the [130] seat upon which the spectator rests (or the height of the bottom of the screen above a horizontal plane passing through the eye level of the spectator);

(b) the distance from the spectator's seat to the screen;

(c) the size of the screen;

(d) the overall height of the automobile; the height of the seat above the ground; and the distance between the seat and the windshield;

(e) the effective vertical transparent height of the windshield of the automobile; the angle of inclination of the back of the seat;

(f) other factors.

Deponent states that he has checked the sizes and dimensions of various makes of automobiles and it is common knowledge, of which the Court could take

judicial notice, that certain automobiles, such as the modern Studebaker, give the occupant a different angle of view through the windshield than that given the occupant of a Model T Ford or a Pierce-Arrow. Deponent has personally checked the disclosures of patent No. 1,909,537 and states that the patent does not specify controlling factors such as the size of the screen, height of the bottom of the screen above eye level, distance of the automobile from the screen, angle of inclination of the ground upon which the automobile is to be supported, or the angle of inclination of the back of the seat occupied by the spectator, and other factors necessary for the successful layout and design of a drive-in theater; that these controlling factors are not defined in feet, inches, yards, meters, degrees, or any other unit of measurement. That as a result, the claims of the patent in suit do not teach how a successful drive-in theater can be constructed and therefore such claims are invalid since they do not conform to the statutory requirements referred to in 35 USCA §33.

Dated this 21st day of December, 1949.

/s/ C. A. MIKETTA.

Subscribed and sworn to before me this 21st day of December, 1949.

[Seal] /s/ MILDRED K. BODGER,
Notary Public in and for the County and State
Above-Named.

My Commission Expires Mar. 2, 1952.

[Endorsed]: Filed December 22, 1949. [132]

EXHIBITS B1 TO B¹⁵~~13~~, INCLUSIVE

[Exhibits B1 to B¹⁵~~13~~ inclusive attached to the foregoing affidavit are contained in volume II, pages 164 to ~~100~~.]

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[Title of District Court and Cause.]

AFFIDAVIT OF C. A. MIKETTA

State of California,
County of Los Angeles—ss.

C. A. Miketta, being duly sworn, deposes and states that he is one of the attorneys of record representing the defendants in the above-entitled case; that affiant has heretofore billed the said defendants, for services and disbursements pertaining to the above action, the sum of \$2,685.70 and, in addition, has rendered services amounting to \$375 which are as yet unbilled.

/s/ C. A. MIKETTA.

Subscribed and sworn to before me this 30th day of January, 1950.

[Seal] /s/ MILDRED K. BODGER,

Notary Public in and for the County and State
Above-Named.

My Commission Expires Mar. 2, 1952

[Endorsed]: Filed January 31, 1950. [227]

[Title of District Court and Cause.]

AFFIDAVIT IN SUPPORT OF MOTION FOR
COSTS AND ATTORNEYS FEES

State of California,
County of Los Angeles—ss.

Don A. Ladenberger, being first duly sworn, deposes and states that he is an attorney-at-law with offices at 453 South Spring Street, Los Angeles, California.

That he is one of the attorneys of record in the above-entitled case.

That he has personal knowledge of the services performed by Johnson & Ladenberger, attorneys-at-law, for defendants in the above-entitled case; that the office of Johnson & Ladenberger has already been paid by defendants the sum of \$281.25 in legal fees for services rendered; that since the services rendered which have been paid for, affiant has rendered additional services to the [228] defendants including court appearances, conferences with other attorneys of record for the defendants, and in the preparation and review of various pleadings and other documents filed in the above-entitled case; that to the date of this affidavit the reasonable value of said services is the sum of \$150.00, and that defendants have been rendered a statement for services in that amount.

Dated this 30th day of January, 1950.

/s/ DON A. LADENBERGER,
Attorneys for Defendants.

of the 14th edition of the Encyclopedia Britannica relied upon by defendants on their Motion to Dismiss and on their Motion for Summary Judgment.

None of the prior patents nor the above-cited publication discloses any drive-in theatre construction or arrangement in which roofed passenger automobiles of varying vintages and sizes and heights are or could be placed one behind the other in a number of successive rows each further from the screen, and in which the occupants of such automobiles could have a full view of the same motion picture screen and effectively view a motion picture projected thereon, from both the front and rear seats of the automobiles, without their view being obstructed either by the cars in viewing-position ahead or by cars moving transversely of the sight-line into and out of such viewing positions ahead.

No construction capable of being so used or suitable for any such use is disclosed in any of the prior-art patents or publications relied upon by defendants and cited by defendants either in their Answer or in their "Request for Admissions" or in their Motion for Dismissal or in the affidavit of C. A. Miketta dated December 8, 1949, or in their Motion for Summary Judgment or in the affidavit of C. A. Miketta dated December 21, 1949.

The Encyclopedia Britannica (which I am advised was published in 1945) and which purports to show a Roman Amphitheatre, known as a Coliseum, discloses nothing more than a generally circular or perhaps elliptical amphitheater not unlike the common football stadiums familiar to all, except that it

appears to be surrounded by a high stone wall with high-arched openings therethrough and with the exits to these archways being flanked by some more radially disposed stone walls, presumably to separate the crowd as it leaves the amphitheater into radially moving masses of people, each pair of radially disposed stone walls forming a radially exit-way leading to one [231] of the arches in the wall.

Thus, page 847 describes these ancient amphitheaters as having the central or arena portion thereof (i.e. where the performance or spectacle took place or was staged) as being raised and having beneath it cells for wild beasts, storage rooms, connecting passageways and rooms for gladiators, connected by many trap doors (with the arena above):

“Around this arena, and separated from it by a high wall, arose the seats of the spectators. These were divided by passageways running around the amphitheatre into several sections (maeniana); the lowest, known as the podium, for state officials; the next reserved for the wealthy or the nobles; and those above for the rest of the populace. Each of these were divided into wedge shaped sections (cunei) by radial walks and from them many exits (vomitoria) led down to the passages below the seats and so to the street. Apparently seats were always reserved, as they are usually carefully numbered; and tickets of clay bearing the seat numbers have been found. The seats were supported on

walls running radially to the exterior between which the exit stairs were most ingeniously arranged so that the enormous crowds were distributed evenly to the exit arches which surrounded the ground storey. In addition, vaulted corridors ran elliptically around the outside, connecting the various radial elements; the arcaded exterior was, therefore, a necessary and logical expression of the construction.”

The Lempert patent 304,532 discloses nothing more than a seating arrangement in an indoor theatre house, with two seat-supporting areas, each with steps and the seats set on the steps. This patent does not disclose the drive-in theatre of the Hollingshead patent. Thus, so far as its relevance to the Hollingshead patent is concerned, the Lempert patent is nothing more than an indoor theatre house.

In the Lempert patent, as in indoor theatre houses, there are rows of seats arranged either on continuous seat-supporting surfaces which are continuously slanted from back to front or on a successive series of steps as in Lempert. The common characteristic and inescapable incident of all such indoor theatre houses, is that the view of any patron can be and is frequently obstructed by the person directly ahead of him depending on the relative [232] sizes of the persons in the front or the back, the size hat worn in the front and whether the person in the front happens to be standing up either leaving or entering his seat or for any other reason. Thus, anyone who has been to any conventional theatre or

movie house or to a baseball game or football game (viewed from a stadium seat) has had the experience of having his view obstructed by the persons in front either when they leave or enter their seats or when they stand up as the result of some exciting event in the performance. Hence the familiar cry immediately after some exciting play at a baseball game: "down in front." Everyone is likewise familiar with the annoyance of having the person ahead of him get up too frequently during a theatre or opera performance to get something out of his coat pocket or to leave or enter, or to find that some lady in the row immediately ahead wears a view-obstructing hat or that the people ahead are of such large stature and lean toward each other so as to obstruct the view of the person immediately behind them. These characteristics and incidents inhere on all the prior-art relied upon by defendants, and if these undesirable characteristics and incidents of indoor theatres and movie houses and of baseball stadiums and football stadiums could have been eliminated by any practical means known, they would have been eliminated long before this. So far as I know, no indoor theatre house or movie house or baseball stadium or football stadium has ever been built in which these undesirable characteristics have been eliminated. Thus, I know of no theatre house or movie house and I know of no football stadium or baseball stadium in which the sight-line of the patron or spectator (to the stage, screen or field-of-action) is not obstructed occasionally, if not indeed frequently, by other patrons or spectators

entering or standing up in front of their seats either as a result of the excitement of the person or game or to get something out of their pockets, nor do I know of any theatre house or motion picture house in which a woman with a large hat or indeed a man of exceptionally large stature and broad shoulders will not obstruct the view of a patron immediately behind them of lesser stature, even though such person in the front remains seated.

All these characteristics are equally true of the structure of the Lempert theatre and of the theatre of the Torgersen patent 1,397,064.

In the drive-in theatre construction of the Hollingshead patent, though the automobiles which constantly enter and leave in a direction transversely of the sight-lines, are much more bulky than any one human being, there is no obstruction whatever of the sight-lines of spectators by the cars entering or leaving though they enter and leave directly in front of the spectators, nor is there any obstruction by such cars when in viewing positions directly ahead.

Thus, the very real problem which has existed and still exists in indoor theatre houses and movie houses, notwithstanding all the inventive skill and ingenuity expended upon indoor theatre houses and movie houses in an effort to improve them, has been completely solved in the drive-in theatre of the Hollingshead patent under the most adverse conditions for good visibility.

Thus, the aforesaid visibility problems which still inhere in all theatre houses and movie houses would

at once be accentuated and made ever so much more difficult of solution if the size of the spectator in front were materially increased (even if to half the size of an automobile) and if, in addition, each spectator's vertical angle of vision were further physically confined by a solid wall a foot or three feet in front of him through which he had only an opening the size of the windshield opening of a car. [234]

Nevertheless, with the added obstacles of the enormously larger size of an automobile (as contrasted with the size of a human body) and the further obstacle of having the vertical angle-of-vision from the front seat and particularly the back seat of the car confined to a small vertical angle by the upper and lower limits of the windshield, the drive-in theater construction defined by the claims of the Hollingshead patent provides a complete and effective solution of this acute visibility problem and provides a drive-in theatre theretofore unknown and since universally accepted throughout the United States and forming the basis of a new and large and highly profitable industry.

Such patents as the McKay patent, the Keefe patent and the Hale patent are quite irrelevant as a reference to their specifications and drawings will show at a glance.

Equally irrelevant are the other patents cited by the defendants as can be seen from their drawings and specifications.

None of the prior-art relied upon by defendants discloses a theatre construction in which a successive series of rearwardly-tilted car-supporting and

car-aiming surfaces are provided, separated by driveways wider than these car-supporting surfaces and in which the driveways are substantially depressed below the level of the high front-edge of the car-supporting or car-aiming surface immediately behind it, so that the cars can pass to and fro on the driveway below the lowest line of vision of the occupants in the cars on the car-supporting surface immediately behind the driveway, and in which the successive car-aiming surfaces are successively at a higher elevation in respect to each other.

No such construction or arrangement is disclosed in any of the prior-art nor have I ever seen any theatre [235] construction or any other construction in which this arrangement was present prior to the advent of the Hollingshead drive-in theatre.

I am in constant contact with engineers and belong to a number of engineering societies and have trained and supervised many other engineers both young and of various ages, and in my professional activities for more than 20 years I have also been in constant contact with architects in connection with various professional projects on which I have worked.

To bring into being the drive-in theatre disclosed in the Hollingshead patent and defined by the claims thereof required the exercise of the inventive faculty and indeed, required the exercise of invention of a high order, at the time when Hollingshead made his invention or as of the filing date of his patent.

No engineer or architect or any other person skilled in any of the related arts could have brought

into being the drive-in theatre disclosed and claimed in the Hollingshead patent merely by applying ordinary mechanical skill to the "prior-art." Indeed no engineer, architect or other person skilled in any of the related or analogous arts ever conceived or brought into being a drive-in theatre like that disclosed in and defined by the claims of the Hollingshead patent, prior to Hollingshead.

/s/ SAMUEL HERBERT TAYLOR
JR.

Sworn to and subscribed before me this 14th day of February, 1950.

[Seal] /s/ WILLIAM KEENAN,
Notary Public.

My Commission Expires March 5, 1953. [236]

[Title of District Court and Cause.]

AFFIDAVIT OF A. C. BOYLE IN
OPPOSITION AND REPLY TO

- 1) Defendants' Motion for Dismissal
(filed on or about December 8, 1949)
and
- 2) Affidavit of C. A. Miketta
(dated December 8, 1949)
and
- 3) Defendants' Motion for Summary Judgment
(filed on or about December 21, 1949)
and
- 4) Affidavit of C. A. Miketta
(dated December 21, 1949)

State of Pennsylvania,
County of Philadelphia—ss.

A. C. Boyle, being duly sworn, deposes and says:
I am a citizen of the United States, residing at 3254 Rutledge Walk, Camden, New Jersey, and I have been connected with Park-In Theatres, Inc., plaintiff, since its incorporation and I have been its secretary since February, 1941, and since [237] December, 1949, I have occupied a corresponding position with Park-In Theatres Company, a co-partnership.

I am familiar with Hollingshead patent 1,909,537 and with the litigation under said patent.

I deny the statements contained in lines 13 to 27, inclusive, of page 7 of defendants' Motion for Dismissal filed on or about December 8, 1949, and aver, on the contrary, that plaintiff always believed and now believes that its patent here in suit is valid, and plaintiff has never harassed defendants or the trade and has never imposed any high royalty burden on any drive-in theatres, and I further aver that the present suit was instituted against defendants in good faith believing that the patent was valid as plaintiff had a right to believe in view of its issuance and in view of the decision of the U. S. Court of Appeals for the 9th Circuit in *Park-In vs. Rogers* 130 F. 2d 745 and in view of the decision of the U. S. District Court for the District of Rhode Island in *Park-In vs. Loew* 70 F. Supp. 880, and I further aver that defendants have not been injured in any way whatever by the present suit.

I further state that plaintiff has not avoided any issues and has not refused to answer any request for admissions and that none of its answers to requests for admissions have been either argumentative or false and I further aver that defendants have not been caused to incur any needless and unnecessary expense in this action.

I further aver, upon information and belief, that in pursuance of his authority and duty under the Statute (35 U.S.C. 36) the Commissioner of Patents caused an examination to be made of Richard M. Hollingshead Jr.'s drive-in theatre which formed the subject-matter of the aforesaid patent application Serial No. 627,704, and in the course of such

examination caused a search to be made through all relevant classes or categories of prior [238] patents and prior publications, to determine whether Richard M. Hollingshead Jr.'s aforesaid drive-in theatre was new and patentable, and upon such examination and upon the consideration of all relevant prior patents and publications and upon the consideration of all relevant prior knowledge and prior uses within general knowledge, the Commissioner of Patents and those acting under him in an official capacity, under the Statute (35 U.S.C. 36), determined that Richard M. Hollingshead, Jr., was justly entitled to a patent, under the law, upon his drive-in theatre, and, thereupon, the Commissioner of Patents did on May 16, 1933, duly and legally issue Letters Patent No. 1,909,537 of the United States to Richard M. Hollingshead, Jr., on his said drive-in theatre.

I further aver, on information and belief, that all the many forms of conventional indoor theatre constructions and arrangements and constructions and arrangements in the Coliseum in Rome and the stadium at Soldier Field at Chicago and other well known stadii and auditoriums, were all matters of common knowledge both to the Patent Examiners and to the Commissioner of Patents who examined the aforesaid Hollingshead patent application Serial No. 627,704 and issued plaintiff's Hollingshead patent 1,909,537, as well as to the United States Court of Appeals for the 9th Circuit which decided the case of *Park-In vs. Rogers*, 130 F. 2d 745, and that all the prior patents cited in defendants' Answer

filed herein on or about December 7, 1948, and the aforesaid Motion for dismissal and the affidavit of C. A. Miketta dated December 8, 1949, and defendants' Motion for Summary Judgment filed on or about December 21, 1949, and the affidavit of C. A. Miketta dated December 21, 1949, were all known to the Examiner and the Commissioner of Patents when they examined and considered Hollingshead's aforesaid application Serial No. 627,704 and when they granted Hollingshead patent No. 1,909,537 here in suit, and that, therefore, when said officials of the Patent Office issued said patent [239] and when the Court of Appeals for the 9th Circuit sustained said patent in the above-cited decision, they did so with a full knowledge of what conventional theatre constructions and arrangements were and what the arrangements and constructions were in the Coliseum in Rome and in many other conventional stadii and auditoriums, and that had either the officials of the Patent Office deemed such conventional theatre constructions and the Coliseum and stadii and auditoriums, or any of the aforesaid prior patents relied upon by defendants, as negating invention in the drive-in theatre construction defined by the claims of the Hollingshead patent here in suit, such patent would not have been issued, and had the Court of Appeals for the 9th Circuit in *Park-In vs. Rogers*, *supra*, regarded such conventional theatre constructions and the Coliseum in Rome and the other well known stadii and auditoriums as negating invention in the drive-in theatre construction defined by the claims of the Hollingshead patent in suit, such

Court would not have reversed the District Court's summary judgment of dismissal.

I state, on information and belief, that the first drive-in theatre of patent No. 1,909,537 was built in Camden, New Jersey, in the early part of 1933 by the Camden Drive-In Theatres, Inc., a New Jersey corporation, which was an affiliate of plaintiff, in that its capital stock was owned by plaintiff's stockholders in the same ratio as they owned plaintiff's stock, said stockholders being principally the patentee Richard M. Hollingshead, Jr., and his chief financial backer Willis Warren Smith, and said first drive-in theatre of patent 1,909,537 was opened by plaintiff's said affiliate in the middle of 1933, and was operated for several years, namely to and including the drive-in theatre season of 1936, but plaintiff's said affiliate was forced to close and dismantle said first drive-in theatre after several years' operation because the owners and operators of [240] conventional motion-picture theatre houses in the Camden-Philadelphia area, in combination and in a conspiracy with the distributors and producers of motion-picture films, put into effect and at all times practiced a film-boycott against said plaintiff's aforesaid first drive-in theatre, which boycott consisted in all the film-distributors refusing to supply film to plaintiff's aforesaid Camden drive-in theatre except film which was two, three or four years old (or older) and in charging for such old films a rental price so substantially higher than what was charged for the same film, at the same age, to the owners and operators of the conventional motion-picture theatre

houses in the Philadelphia-Camden area, as to make the operation of plaintiff's aforesaid first drive-in theatre unprofitable because of the trade practices which were later condemned by the Supreme Court of the United States in the case of *United States vs. Paramount Pictures, Inc., et al.*, reported at 66 F. Supp. 323, and at 334 U. S. 131, and in the case of *United States vs. Griffith et al.*, reported at 334 U. S. 100 and in the case of *United States vs. Schine Chain Theatres, Inc., et al.*, reported at 334 U. S. 110.

I state, on information and belief, that, as a result of economic duress arising from the aforesaid film-distributing practices, plaintiff was forced to abandon further efforts to build and operate its own drive-in theatres of patent No. 1,909,537, and was forced to turn over the commercial operation of the invention of its patent 1,909,537 largely to licensees at inadequate royalty rates not commensurate with the benefits derived from said invention by such licensees, and t royalty rates less than a reasonable royalty or due compensation for the making, using or selling of the invention of patent No. 1,909,537.

I state, on information and belief, that the drive-in theatre invented by Richard M. Hollingshead, Jr., and forming the subject-matter of plaintiff's Hollingshead patent No. 1,909,537, [241] was entirely unknown and unanticipated in the United States, or elsewhere, prior to the time when Richard M. Hollingshead, Jr., invented such drive-in theatre, and such invention by Richard M. Hollingshead, Jr., constituted an original inventive contribution of

great value and benefit to the public at large, and the public has recognized the merit of said invention by patronizing, to an ever increasing extent, the drive-in theatres of patent 1,909,537, many of which have been built and constructed and used throughout the United States, solely and directly as a result of such drive-in theatre having thus been made available to the public through said invention by R. M. Hollingshead, Jr.

I state, on information and belief, that the drive-in theatres of the Hollingshead patent No. 1,909,537 have been of great benefit and value both to the film-producing and film-distributing branches as well as to the picture-exhibiting branch of the motion picture industry, because said drive-in theatres have increased motion-picture attendance over and above what it would have been otherwise, and the return on investment in drive-in theatres of the Hollingshead patent No. 1,909,537 has generally been substantially greater than the return on the investment in the conventional motion-picture theatre houses, and motion-picture exhibitors have profited from such use and commercial exploitation of said invention generally to an extent substantially greater than the profits which they could realize on the building and operation of conventional motion-picture theatre houses with like investments.

I state, on information and belief, that prior to the filing date of the application upon which Hollingshead patent No. 1,909,537 was issued, no motion-picture theatre of any kind or construction was ever built, used or operated in the United States or

in any foreign country, in which the patrons viewed the motion-picture from the seats of their own automobiles [242] (driven to the theatre), through the windshields thereof, and, prior to such filing date, the term or phrase "drive-in theatre" was unknown and did not appear in any publication in this or any foreign country; the term or phrase "drive-in theatre" having been coined by Richard M. Hollingshead, Jr. (prior to said filing date) as the name for his invention which forms the subject matter of his patent No. 1,909,537.

I state, on information and belief, that patent No. 1,909,537 is the first patent ever issued in this or any foreign country on a motion-picture theatre in which the patrons view the picture from the seats of their own automobiles through the windshields thereof, and the Hollingshead patent No. 1,909,537 is a pioneer patent.

I state, on information and belief, that for many years after the filing date and after the issue date of Hollingshead patent No. 1,909,537, and until some time after December 31, 1940, there were no motion-picture exhibition places ever built or used in this or in any foreign country, other than the drive-in theatres of patent No. 1,909,537, in which patrons viewed the motion-picture show from the seats of their own automobiles, through the windshields thereof.

I state, on information and belief, that some time after December 31, 1940, and more particularly since some time after about the middle of 1946, others not in any way connected with plaintiff, built and put

into operation outdoor motion-picture exhibition places, sometimes called a "flattie" or "flatties," consisting generally of a flat piece of ground upon which a screen was erected and on which the patrons' own cars were placed, facing the screen, in order that the occupants of the cars might view or try to view the motion-picture, from their seats, through the windshields of the cars. [243]

I state, on information and belief, that the aforesaid "flatties" have been generally unsuccessful as genuine motion-picture exhibition places, and have not commanded as much patronage nor as high an admission price as the drive-in theatres of Hollingshead patent No. 1,909,537, and many "flatties" have been abandoned after a short period of operation, because they were found to be impractical and because of lack of adequate public acceptance.

I state, on information and belief, that no "flattie" type of motion-picture exhibition place nor any other motion-picture exhibition place not embodying the subject-matter of patent No. 1,909,537 but in which the patrons viewed or tried to view the motion picture from the seats of their own automobiles through the windshields thereof, has ever been built within competitive distance of a drive-in theatre of patent No. 1,909,537 because such flatties or other motion-picture exhibition places not embodying the subject-matter of patent No. 1,909,537 are substantially inferior to the drive-in theatres of patent No. 1,909,537 and for that reason could not successfully compete therewith. [244]

The first drive-in theatre ever built, namely, plain-

tiff's drive-in theatre built in 1933 was such a completely new thing that it received extensive and favorable comment in many trade publications of the motion picture and entertainment industry, at the outset, and was the subject of news broadcast by Lowell Thomas on May 19, 1933, as follows:

“Did you ever hear of a theatre where you could drive right into the auditorium, sit in your car, and watch the show?”

“Neither did I until today.

“According to the *Film Daily* of New York, down in Camden, New Jersey, they have what is said to be the first drive-in theatre in the world. It covers 250,000 square feet of ground on Admiral Wilson Boulevard. It will accommodate 400 cars with, I suppose, from three to ten people squeezed into each car and all the tanks filled with Blue Sunoco, I hope.

“Seven rows of inclined grades, sort of sloping terraces will enable the occupants of each car to have a direct view of the motion picture screen.

“The establishment will have a modern sound equipment and will specialize mainly in shorts, news reels, travel pictures, and so on, which seem to be the rage of the world these days. Again New Jersey leads the world and what an ideal place for one arm drivers.”

Attached hereto as Exhibit 2 is copy of pages 15, 16, 17 and 42 of the July 1, 1933, issue of the “Bet-

ter Theatres Section” of the trade magazine “Motion Picture Herald.”

I attach hereto as Exhibit 3 a copy of page 17 of the magazine section known as “Everybody’s Weekly” in the May 16, 1948, issue of The Philadelphia Inquirer, containing an article by Edgar Williams entitled “Growth of Drive-In Movies.”

I attach hereto as Exhibit 4 copies of pages 13 and 16 of the July 17, 1948, issue of the trade magazine “Motion Picture Herald” containing an article entitled “The Roof’s the Sky and Sky Is Drive-In Limit.”

I attach hereto as Exhibit 5 a copy of page 11 of the July 17, 1948, issue of “Boxoffice” containing an article entitled “50 Drive-Ins at Pittsburgh, as Outdoor Theatres Boom.” [245]

I attach hereto as Exhibit 6 a copy of page 25 of the November 13, 1948, issue of “Boxoffice” containing an article by Sumner Smith entitled “Drive-Ins Up from 100 to 761 in 20-Month Building Boom.”

I attach hereto as Exhibit 7 a copy of an excerpt from page 12 of the June 11, 1949, issue of “Boxoffice” under the heading of “Men and Events” by James M. Jerauld.

I attach hereto as Exhibit 8 a copy of page 15 of the June 11, 1949, issue of “Motion Picture Herald” containing an article entitled “Bigger and Better Drive-Ins Boom” and “Motor Movies Weaving New Spell for Patron.”

I attach hereto as Exhibit 9 a copy of page 84 of the June 20, 1949, issue of the magazine “Time”

containing an article in the Cinema section on drive-in theatres.

I attach hereto as Exhibit 10 a copy of page 42 of the July 23, 1949, issue of the trade magazine called "Boxoffice," containing an article on the views of William F. Rodgers, vice president of MGM, concerning the drive-in theatre as a factor in the motion picture industry.

I attach hereto as Exhibit 11 a copy of page 10 of the July 30, 1949, issue of The Independent Film Journal, containing an article showing the views of William F. Rodgers, vice president of MGM, on the drive-in theatre industry.

I attach hereto as Exhibit 12 a copy of excerpts from page 5 of the August 24, 1949, issue of the trade magazine "The Exhibitor."

I attach hereto as Exhibit 13 a copy of page 20 of the October 1, 1949, issue of the magazine "The New Yorker" containing an interview with one of the leading motion picture theatre operators, concerning the drive-in theatre.

I attach hereto as Exhibit 14 a copy of page 10 of the October 8, 1949, issue of the trade magazine "Boxoffice" containing an article entitled "Drive-In Clearance Rights Placed Before [246] the Court," relating to the discriminatory film-distributing practices still in vogue against drive-in theatres.

I attach hereto as Exhibit 15 a copy of the cover page of one of the regular program booklets put out by the Weymouth Drive-In Theatre of Weymouth, Massachusetts, in July of 1937 showing a schematic diagram of the car-aiming and sight-

clearance arrangement of the drive-in theatre. I am informed and I aver on information and belief that this diagram was published for the benefit of the patrons and prospective patrons because of the general skepticism prevailing throughout the public, as to the practicability and operability of a drive-in theatre in which successive rows of cars are placed one behind the other. Thus, there was for many years after the introduction of the drive-in theatre of 1933, a general skepticism as to how the occupants of each automobile could have full visibility of the screen from the front seat as well as the rear seat, without their view being obstructed by the cars ahead and without their view being obstructed by the moving of the cars in front of them and that this skepticism was due to the fact that people just couldn't figure out how there could be any construction or arrangement in a drive-in theatre which would give such visibility in view of the bulkiness of the cars ahead and in view of the bulkiness of the cars which would pass in front of the viewer as the cars moved in and out of the theatre.

I state on information and belief that the Encyclopedia Britannica, 14th Edition, Volumes I and XXI, upon which defendants rely upon their motion for summary judgment, was published in 1945.

All underscoring has been supplied in these exhibits. [247]

Plaintiff's Managing Director, Willis Warren Smith, who made plaintiff's sworn response under Rule 36-a(1) which was filed on February 23, 1949, and who made the Affidavit dated February 19,

1949, in support of plaintiff's Motion under Rule 6-b(2) which was filed on February 23, 1949, is, and for some time has been, abroad and will not be back in the United States until some time in the early part of March, 1950.

/s/ A. C. BOYLE.

Sworn to and subscribed before me this 14th day of February, 1950.

[Seal] /s/ WILLIAM M. KEENAN,
Notary Public.

My Commission Expires March 5, 1953. [248]

EXHIBITS No. 2 TO No. 15, INCLUSIVE

[Exhibits 2 to 15 inclusive attached to the foregoing affidavit and contained in volume II, pages ~~250~~ to

~~267.]~~

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In the United States District Court, Southern
District of California, Central Division

No. 8582-C

PARK-IN THEATRES, INC.,

Plaintiff,

vs.

SETH D. PERKINS, et al.,

Defendants.

MEMORANDUM DECISION

James M. Carter, U. S. District Judge.

The above matter heretofore submitted, is decided as follows:

Defendants' motion for summary judgment is granted on the following grounds:

(1) Patent in suit is invalid for the reason stated by the United States Court of Appeals for the First Circuit, 174 F. 2d, 547;

(2) Patent in suit is invalid as a matter of law, for lack of invention over the prior art;

(3) Patent in suit is invalid for the reason it fails to define and claim invention in such full, clear, concise and exact terms as are required by 35 U.S.C.A., Sec. 33 [Rev. Statutes 4888];

(4) Patent in suit is invalid in that functional language has been used.

The clerk will forward copies of this memoran-

dum decision to counsel. Defendants will prepare findings of fact and conclusions of law and judgment within the time prescribed by the Rules.

[Endorsed]: Filed March 27, 1950. [272]

[Title of District Court and Cause.]

OBJECTIONS TO PROPOSED FINDINGS OF
FACT, CONCLUSIONS OF LAW AND
JUDGMENT

Now comes the plaintiff in the above-entitled action and makes the following objections to the proposed findings of fact and conclusions of law and to the proposed judgment:

I.

Plaintiff objects to paragraph 4 as worded. The invention claimed in the patent in suit is for a combination of elements. The admission was made that in the action the plaintiff would rely upon invention residing in the combination and not in any particular element. There was no admission that the elements were individually old or were well known more than two years prior to the filing of the patent in suit. There are cases which hold in determining the validity of a combination claim that the elements may be considered separately as old. However, the finding that the plaintiff admitted said elements were individually old should not be made. [273]

II.

Objection is made to proposed finding of fact 5 on the ground that said finding is not supported in the showings made to the court.

III.

Objection is made to proposed finding 6 on the ground that the patents and publications are before the court and speak for themselves and it is not necessary to make any finding as to the disclosures therein.

IV.

Objection is made to proposed findings 7, 8 and 9, on the ground that the claims in issue are in the patent and before the court and it is not necessary in any finding on the question of indefiniteness to interpret said claims or go into detail concerning the wording thereof.

V.

Objection is made to proposed conclusion of law 5 that there is no basis in the showing before the court for holding that any of the claims in issue are anticipated by prior art patents and publications.

VI.

Objection is made to inclusion in the conclusions of law and in the judgment that any attorney's fees be awarded to the prevailing part and in connection

therewith reference is made to a separate memorandum filed herein pertaining thereto.

LYON & LYON,

/s/ R. E. CAUGHEY,

Attorneys for Plaintiff.

Receipt of copy acknowledged.

[Endorsed]: Filed April 6, 1950. [274]

MINUTES OF APRIL 12, 1950

At a stated term, to wit: The February Term, A.D. 1950, of the District Court of the United States of America, within and for the Central Division of the Southern District of California, held at the Court Room thereof, in the City of Los Angeles on Wednesday, the 12th day of April, in the year of our Lord one thousand nine hundred and fifty.

Present: The Honorable James M. Carter,
District Judge.

[Title of Cause.]

ORDER OVERRULING PLAINTIFF'S
OBJECTIONS, ETC.

It Is Ordered:

(1) That the plaintiff's objections to the defendants' proposed findings are overruled, except that at the end of finding of fact No. 4 the following words will be added: "but claims invention in the

combination of the elements. There is no invention in the alleged combination.”;

(2) That the additional findings suggested as Nos. 10 and 11 in defendants’ memorandum will be made a part of the findings;

(3) That attorneys’ fees be and they are allowed in the sum of \$3,400.00;

(4) That attorney for defendants will prepare revised findings accordingly and submit same forthwith. [284]

[Title of District Court and Cause.]

FINDINGS OF FACT AND
CONCLUSIONS OF LAW

This cause coming before this Court on a Motion for Summary Judgment brought by defendants herein under Rule 56 F.R.C.P. and the Court having considered the pleadings, admissions, interrogatories, affidavits and exhibits on file and the decision of the United States Court of Appeals for the First Circuit involving the same plaintiff and Letters Patent, and it appearing that the moving party is entitled to judgment as a matter of law, and the Court having rendered its decision, does hereby make the following findings of fact and conclusions of law: [285]

Findings of Fact

1. Plaintiff Park-In Theatres, Inc., is a New Jersey corporation having its place of business at Camden, New Jersey.

Defendants Seth D. Perkins and George E. Mitzel are citizens of California and inhabitants of this District and Division.

Defendants La Vere Co. and Drive-In Theatres of America, and each of them, are California corporations and inhabitants of this District and Division.

2. Plaintiff's complaint alleges ownership of United States Letters Patent No. 1,909,537 and charges the defendants with infringement of claims 2, 4, 5, 6, 10, 15, 16 and 19 thereof.

3. United States Letters Patent No. 1,909,537 is entitled "Drive-In Theater" and was issued May 13, 1933. The patent has been held invalid by the United States Court of Appeals for the First Circuit in April, 1949, and the decision of said Court being reported at 174 F(2) 547 and certiorari denied (70 S. Ct. 68). The decision of the United States Court of Appeals for the First Circuit, as it is directed to lack of invention and invalidity of the patent in suit, is adopted herein.

4. Plaintiff admits and the Court finds that the elements described and claimed in the patent in suit No. 1,909,537, are individually old and were well known more than two years prior to the filing of the patent in suit. Plaintiff does not contend that there is invention in any single element of the claims of the patent in suit but claims invention in the combination of the elements. There is no invention in the alleged combination.

5. More than two years prior to the filing of the patent in suit (a) it was customary to use inclined or sloping floors in theaters; (b) it was customary to arrange seats in an [286] arcuate arrangement, the seats facing the stage or screen; (c) it was customary to terrace the floor or ground as a means of permitting occupants of rearward terraces a clear field of vision ahead. The adoption of the teachings of the prior art and normal theater construction to a theater wherein spectators sit on seats in an automobile instead of seats directly on the floor or ground, is within the skill of anyone who puts his mind on the problem. The selection and aggroupment of old elements for substantially the same purpose would readily occur to anyone skilled in the art of construction without an exercise of the faculty of invention.

6. Prior art patents and publications show that curvilinear rows of means for occupancy by spectators have been provided since ancient times (*Encyclopaedia Britannica*, 14th Ed., 1929, Vol. 1, pages 847 and 848 and Vol. 21, Plates I and II, following page 272; defendants' Exhibits A1, A2, A3 and A4); terracing of stadia and floors of theaters is shown in the *Encyclopaedia Britannica* and United States Letters Patent No. 304,532 (Ex. B1) and United States Letters Patent No. 366,290 (Ex. B2); placement of seats upon an incline is shown in United States Letters Patent No. 800,100 (Ex. B6); seats arranged in terraces are shown in United States Letters Patent No. 612,117 (Ex. B3). More than

two years before the filing of the patent in suit it was customary to point vehicles toward the desired view (Letters Patent No. 810,646 and No. 836,708, Ex. B7 and Ex. B9, respectively). Patents published and known in the United States more than two years before the filing date of the patent in suit showed vehicles whose occupants looked at motion picture screens (United States Letters Patent No. 1,145,946, Ex. B11) while vehicles were in side-by-side relation (United States Letters Patent No. 1,238,151, Ex. B13); a vehicle positioned upon an incline and pointed toward a motion picture screen is shown in United States Letters Patent No. 778,325 issued in 1904 (Ex. B5). [287]

7. The claims of the patent in suit attempt to claim a scheme for parking automobiles in an open lot so that occupants of the automobile will have a generally clear angle of vision of a stage or screen, but the claims do not show specifically how the desired objective is attained. Claims 5 and 6 refer to "an angle with respect to the screen" without specifying whether this is a vertical or a horizontal angle; claims 2 and 4 call for stallways "at a vertical angle with respect to the stage such as will produce a clear angle of vision" without stating the direction or magnitude of the angle; claim 15 similarly fails to define the direction or magnitude of the angle of inclination; claim 10 calls generally for "means * * * to produce a generally clear angle of vision" without stating what or where such means are located or the inclination or direction of in-

inclination of such means; claims 16 and 19 refer to "inclined means" without defining the direction or magnitude of such inclination. The claims are indefinite.

8. Visibility of a motion picture screen by a spectator through a windshield of an automobile is affected by the relative height of the seat to the windshield and the height of the occupant of the car in relation to the seats and windshield of the car, as stated in the patent in suit. In addition, visibility of such motion picture screen is affected by: the height of the bottom of the screen above a horizontal plane passing through the seat upon which the spectator rests; the distance from the spectator's seat to the screen; the size of the screen; the distance between the seat and the windshield; the distance between automobiles; the overall height of the automobile; the effective vertical transparent height of the windshield of the automobile, etc. The patent in suit does not specify these controlling factors and does not define them in feet, inches, yards, meters, degrees, or any other unit of measurement and leaves the public to its own experimentation. The claims of the patent in suit are indefinite. [288]

9. The claims of the patent in suit No. 1,909,537 employ functional language instead of defining the arrangement in terms of structural relationships; the words "such as will produce a clear angle of vision" (claims 2, 4, 5 and 6) and "to produce a generally clear angle of vision" (claim 10), and "to an extent as will produce * * *" (claims 16 and

19) are functional statements of a desired objective but do not state by what means and how such objective is to be attained. The claims of the patent in suit are indefinite and uninforming.

10. The affidavits filed by plaintiff in opposition to the motion for summary judgment are mostly on information and belief and not on personal knowledge (as required by Rule 56E), refer in large part to irrelevant matters, and do not contradict the showings of the prior patents.

11. The pleadings, interrogatories, answers thereto, requests for admissions and admissions thereto, and the objections, motions for extensions of time and other papers on file herein indicate that the action was brought upon surmise and suspicion and plaintiff repeatedly delayed proceedings.

Conclusions of Law

1. The Court has jurisdiction of the parties and of the subject matter.

2. United States Letters Patent No. 1,909,537 issued to R. M. Hollingshead, Jr., were assigned to and title thereto vested in plaintiff at the time this action was filed.

3. United States Letters Patent No. 1,909,537, and particularly claims 2, 4, 5, 6, 10, 15, 16 and 19 thereof, and each of them, are void and invalid for lack of novelty and invention.

4. United States Letters Patent No. 1,909,537, and particularly claims 2, 4, 5, 6, 10, 15, 16 and 19

thereof, and each of them, are void and invalid as a matter of law for lack of invention over the prior art. [289]

5. United States Letters Patent No. 1,909,537, and particularly claims 2, 4, 5, 6, 10, 15, 16 and 19 thereof, and each of them, are void and invalid and anticipated by prior structures, patents and publications.

6. United States Letters Patent No. 1,909,537, and particularly claims 2, 4, 5, 6, 10, 15, 16 and 19 thereof, and each of them, are void and invalid for the reason that they fail to define and claim the purported invention in such full, clear, concise and exact terms as are required by 35 U.S.C.A. Section 33 (Revised Statutes 4888).

7. United States Letters Patent No. 1,909,537, and particularly claims 2, 4, 5, 6, 10, 15, 16 and 19 thereof, and each of them, are void and invalid in that functional language has been used and the claims are indefinite and do not conform to the requirements of 35 U.S.C.A. Section 33 (Revised Statutes 4888).

8. An invalid patent cannot be infringed.

9. The complaint will be dismissed. Defendants shall recover from plaintiff their reasonable attorneys' fees in the sum of \$3,400.00 and costs and disbursements to be taxed by the clerk and have execution therefor. Costs taxed in the sum of \$.....

Dated this 13th day of April, 1950.

/s/ JAMES M. CARTER,
Judge, U. S. District Court.

[Endorsed]: Filed April 13, 1950. [290]

In the United States District Court, Southern
District of California, Central Division

Civil Action No. 8582-C

PARK-IN THEATRES, INC.,

Plaintiff,

vs.

SETH D. PERKINS, GEORGE E. MITZEL, LA
VERE CO., a California Corporation, and
DRIVE-IN THEATRES OF AMERICA, a
California Corporation,

Defendants.

SUMMARY JUDGMENT AND DECREE

This cause coming before this Court on a Motion for Summary Judgment brought by defendants herein under Rule 56 F.R.C.P. and the Court having considered the pleadings, admissions, interrogatories, affidavits and exhibits on file, and it appearing that the moving party is entitled to judgment as a matter of law, and the Court having rendered its decision, and upon the findings of fact and conclusions of law filed concurrently herewith,

It Is Hereby Ordered, Adjudged and Decreed by the Court as Follows: [291]

1. The Court has jurisdiction of the parties and of the subject matter.

2. United States Letters Patent No. 1,909,537 issued to R. M. Hollingshead, Jr., were assigned to and title thereto vested in plaintiff at the time this action was filed.

3. United States Letters Patent No. 1,909,537, and particularly claims 2, 4, 5, 6, 10, 15, 16 and 19 thereof, and each of them, are void and invalid for lack of novelty and invention.

4. United States Letters Patent No. 1,909,537, and particularly claims 2, 4, 5, 6, 10, 15, 16 and 19 thereof, and each of them, are void and invalid as a matter of law for lack of invention over the prior art.

5. United States Letters Patent No. 1,909,537, and particularly claims 2, 4, 5, 6, 10, 15, 16 and 19 thereof, and each of them, are void and invalid and anticipated by prior structures, patents and publications.

6. United States Letters Patent No. 1,909,537, and particularly claims 2, 4, 5, 6, 10, 15, 16 and 19 thereof, and each of them, are void and invalid for the reason that they fail to define and claim the purported invention in such full, clear, concise and exact terms as are required by 35 U.S.C.A. Section 33 (Revised Statutes 4888).

7. United States Letters Patent No. 1,909,537, and particularly claims 2, 4, 5, 6, 10, 15, 16 and 19 thereof, and each of them, are void and invalid in that functional language has been used and the claims are indefinite and do not conform to the requirements of 35 U.S.C.A. Section 33 (Revised Statutes 4888).

8. The complaint is hereby dismissed with prejudice. Defendants shall recover from plaintiff their reasonable attorneys' [292] fees in the sum of \$3400.00, and costs and disbursements to be taxed by the clerk, and have execution therefor. Costs taxes in the sum of \$53.38.

Dated this 13th day of April, 1950.

/s/ JAMES M. CARTER,
Judge, U. S. District Court.

Approved as to Form this day of March, 1950.

LEONARD L. KALISH,
LYON & LYON,
REGINALD E. CAUGHEY,
By.....,
Attorneys for Plaintiff.

Judgment entered April 14, 1950.

Receipt of Copy acknowledged.

Lodged April 1, 1950.

[Endorsed]: Filed April 13, 1950. [293]

[Title of District Court and Cause.]

NOTICE OF APPEAL

Notice Is Hereby Given that the plaintiff, Park-In Theatres, Inc., hereby appeals to the United States Court of Appeals for the Ninth Circuit from the summary judgment and decree entered April 14, 1950, and particularly from Paragraphs 3 to 8, inclusive, thereof.

Dated: May 11th, 1950.

LYON & LYON,

/s/ REGINALD E. CAUGHEY,
Attorneys for Plaintiffs.

Receipt of copy acknowledged.

[Endorsed]: Filed May 11, 1950. [295]

[Title of District Court and Cause.]

PLAINTIFF-APPELLANT'S STATEMENT OF
POINTS UNDER RULE 75-d

Pursuant to Rule 75-d of the Rules of Civil Procedure, the following is submitted as a statement of points upon which plaintiff-appellant intends to rely, on its appeal:

- 1) The District Court erred in holding, in its Memorandum Decision filed March 27, 1950,
 - a) that Hollingshead patent 1,909,537 in suit "is invalid for the reason stated by the United States

Court of Appeals for the First Circuit, 174 F. 2d 547” (instead of making its own independent determination of the question of validity), and [298]

b) that Hollingshead patent 1,909,537 in suit “is invalid as a matter of law, for lack of invention over the prior-art,” and

c) that Hollingshead patent 1,909,537 in suit “is invalid for the reason it fails to define and claim invention in such full, clear, concise and exact terms as are required by 35 U.S.C.A., Sec. 33 (Rev. Statutes 4888),” and

d) that Hollingshead patent 1,909,537 in suit “is invalid in that functional language has been used.”

2) The District Court erred, in its Order filed April 12, 1950,

a) in overruling plaintiff’s objections to defendants’ proposed Findings of Fact 4-9, inclusive and proposed Conclusion of Law 5 and proposed inclusion of attorney’s fees, and

b) in holding that additional suggested findings 10 and 11 be made a part of the Findings of Fact, and

c) in allowing attorney’s fees in the sum of \$3400.

3) The District Court erred in its Findings of Fact and Conclusions of Law, as filed April 14, 1950, in the following respects:

a) the last sentence of Finding 3 is improper (and deprives plaintiff-appellant of its right to obtain an independent adjudication of validity in the District Court);

b) the last sentence of Finding 4 is erroneous and is not supported in the showing made to the Court;

c) Finding 5 is erroneous and is not supported in the showing made to the Court; [299]

d) Finding 6 is erroneous and is not a proper Finding of Fact and, instead, merely sets forth counsel's conclusions and interpretations of the disclosures of certain patents and publications which speak for themselves;

e) Finding 7 is erroneous and is not a proper Findings of Fact and, instead, merely sets forth counsel's conclusions and interpretations as to the definiteness and sufficiency of the claims in suit, which claims speak for themselves;

f) Finding 8 is erroneous and is not a proper Finding of Fact and, instead, is simply counsel's opinion as to the factors affecting visibility of a motion picture screen (in the nature of a hypothetical discussion having no foundation in the showings made to the Court) and counsel's conclusions and opinion as to the adequacy of disclosure and definiteness of claims of the patent in suit;

g) Finding 9 is erroneous and is not a proper Finding of Fact and, instead, is merely counsel's conclusions and interpretations of the claims of the patent in suit;

h) Finding 10 is erroneous and is not a proper Finding of Fact and, instead, is merely counsel's conclusion and opinion as to affidavits which speak for themselves;

i) Finding 11 is erroneous and is not supported in the showings made to the Court;

j) Conclusion 3 is erroneous and is not supported by the showing made to the Court and is improper insofar as it attempts to adjudicate the validity of Hollingshead patent 1,909,537 with respect to those claims which were not in suit; [300]

k) Conclusion 4 is erroneous and is not supported in the showing made to the Court and is improper insofar as it attempts to adjudicate the validity of Hollingshead patent 1,909,537 with respect to those claims which were not in suit;

l) Conclusion 5 is erroneous and is not supported in the showing made to the Court and is improper insofar as it attempts to adjudicate the validity of Hollingshead patent 1,909,537 with respect to those claims which were not in suit;

m) Conclusion 6 is erroneous and is not supported in the showing made to the Court and is improper insofar as it attempts to adjudicate the validity of Hollingshead patent 1,909,537 with respect to those claims which were not in suit;

n) Conclusion 7 is erroneous and is not supported in the showing made to the Court and is improper insofar as it attempts to adjudicate the validity of Hollingshead patent 1,909,537 with respect to those claims which were not in suit;

o) Conclusion 8 is erroneous and is in conflict with the well settled principle that a District Court should decide all issues going to infringement as well as validity so that, in the event that its decision on validity is reversed on appeal, there will be no

need to send the case back for trial on the issue of infringement;

p) Conclusion 9 is erroneous insofar as it awards attorney's fees in the sum of \$3400, and is not supported by the showing made to the Court, and without having afforded plaintiff any opportunity to examine the attorneys in open Court as to their claimed fees, and is [301] in conflict with the well settled principle that attorney's fees are not awarded in ordinary patent cases and in the absence of unusual circumstances (such as were not shown to be present in the case at bar).

4) The District Court erred in entering summary judgment holding the patent in suit invalid (in the absence of any fully anticipatory prior-art) without affording plaintiff an opportunity to prove its case (independently of the decision of the First Circuit) by a full and complete trial on the merits.

5) The District Court erred in awarding defendants attorney's fees in the sum of \$3400 in the complete absence of any showing of unusual circumstances justifying the award of any attorney's fees whatever and in the complete absence of any factual showing as to the nature and extent of the services rendered by defendants' attorneys (other than a mere statement as to the total amount of services billed and to be billed, but without any

breakdown as to time spent, to justify the size of the fees claimed).

LYON & LYON,

/s/ LEONARD S. LYON,

/s/ REGINALD E. CAUGHEY,

Attorneys for Plaintiff.

/s/ LEONARD L. KALISH,

Counsel for Plaintiff.

Receipt of copy acknowledged.

[Endorsed]: Filed July 14, 1950. [302]

[Title of District Court and Cause.]

PLAINTIFF-APPELLANT'S DESIGNATION
OF CONTENTS OF RECORD ON APPEAL

In accordance with the provisions of Rule 75-a of the Rules of Civil Procedure, plaintiff-appellant designates the following portions of the record, proceedings and evidence to be contained in the record on appeal:

- 1) Complaint, as filed August 27, 1948.
- 2) Answer, as filed December 7, 1948.
- 3) Defendants' Request for Admissions, as filed January 28, 1949.
- 4) Plaintiff's Response under Rule 36-a(1) to part of Defendants' Request for Admissions, as filed February 23, 1949. [303]
- 5) Plaintiff's Objections under Rule 36-a(2) to

part of Defendants' Request for Admissions, as filed February 23, 1949.

6) Order upon Plaintiff's Objections to Defendants' Request for Admissions under Rule 36, as filed March 25, 1949.

7) Plaintiff's Answer to Defendants' Request for Admissions numbered "15," as filed April 13, 1949.

8) Defendants' Motion for Dismissal, as filed December 9, 1949, together with Affidavit of C. A. Miketta, dated December 8, 1949, filed in support thereof.

9) Order entered December 19, 1949, on Defendants' Motion for Dismissal.

10) Defendants' Motion for Summary Judgment, as filed December 22, 1949, and Affidavit of C. A. Miketta dated December 21, 1949, filed in support thereof, and exhibits filed in support thereof.

11) Affidavit of C. A. Miketta, dated January 30, 1950, as to his charges, as filed January 30, 1950.

12) Affidavit of Don A. Ladenberger, dated January 30, 1950, as to charges of Johnson & Ladenberger, as filed January 30, 1950.

13) Affidavit of Samuel Herbert Taylor, Jr. (in opposition to Defendants' Motion for Dismissal and in opposition to Defendants' Motion for Summary Judgment), dated February 14, 1950, as filed February 16, 1950.

14) Affidavit of A. C. Boyle (in opposition and reply to Defendants' Motion for Dismissal and Motion for Summary Judgment and Miketta affidavits) dated February 14, 1950, and exhibits attached thereto, as filed February 16, 1950.

15) Memorandum Decision granting Defendants' Motion for Summary Judgment, as filed March 27, 1950. [304]

16) Plaintiff's Objections to Proposed Findings of Fact, Conclusions of Law and Judgment, as filed April 6, 1950.

17) Minute Order overruling Plaintiff's Objections, etc., as filed April 12, 1950.

18) Findings of Fact and Conclusions of Law, as filed April 14, 1950.

19) Notice of Appeal, as filed May 11, 1950.

20) Order dated June 16, 1950, extending time for docketing appeal to July 20, 1950, as filed June 16, 1950.

21) Order dated July 11, 1950, further extending the time for docketing appeal to August 9, 1950, as filed July 12, 1950.

22) Plaintiff-appellant's Statement of Points under Rule 75-d, as served and filed simultaneously herewith.

23) This Designation.

24) Docket Entries.

LYON & LYON,

/s/ LEONARD S. LYON,

/s/ REGINALD E. CAUGHEY,
Attorneys for Plaintiff.

/s/ LEONARD L. KALISH,
Counsel for Plaintiff.

Receipt of copy acknowledged.

[Endorsed]: Filed July 14, 1950. [305]

[Title of District Court and Cause.]

COUNTERDESIGNATION OF CONTENTS OF
RECORD ON APPEAL SUBMITTED BY
DEFENDANTS-APPELLEES

Defendants-Appellees in the above-entitled action, in conformity with the Federal Rules of Civil Procedure, hereby designate portions of the record and proceedings to be included in the record on appeal on the ground that such additional portions are material and necessary for the determination of the points upon which appellant will rely:

1. Interrogatories Propounded by Defendants Pursuant to Rule 33 of the Rules of Civil Procedure to be Answered Separately and Fully in Writing Within Fifteen Days, filed September 28, 1948.

2. Stipulation Extending Time to Answer Interrogatories Propounded by Defendants and Time to File Answers. [306]

3. Plaintiff's Answers to Interrogatories, filed October 18, 1948.

4. Plaintiff's Interrogatories Propounded to Defendants under Rule 33, filed October 18, 1948.

5. Answer of Defendant Seth D. Perkins to Plaintiff's Interrogatories, filed November 2, 1948.

6. Answer of Defendant George E. Mitzel to Plaintiff's Interrogatories, filed November 2, 1948.

7. Answer of Defendant La Vere Co. to Plaintiff's Interrogatories, filed November 2, 1948.

8. Answer of Defendant Drive-In Theatres of America to Plaintiff's Interrogatories, filed November 2, 1948.

9. Notice of Hearing Upon Plaintiff's Motion for an Extension of Time to Respond to Defendants' Request for Admissions, etc., filed February 23, 1949.

10. Motion for an Extension of Time under Rule 6b(2) to Respond to Defendants' Request for Admissions, filed February 23, 1949.

11. Defendants' Memorandum in Opposition to Plaintiff's Motion for an Extension of Time, filed March 1, 1950.

12. Points and Authorities in Support of Defendants' Motion for Summary Judgment, filed January 4, 1950.

13. Memorandum in Support of Defendants' Motion for Summary Judgment, filed January 31, 1950.

14. Memorandum in Reply to Plaintiff's Affidavits Filed in Opposition to Defendants' Motion for Summary Judgment, filed February 23, 1950.

15. Defendants' Memorandum in Response to Plaintiff's Objections to Proposed Findings of Fact, Conclusions of Law and Judgment, filed April 12, 1950.

16. Summary Judgment and Decree, entered April 14, 1950.

17. Each of the United States Letters Patent (Exhibit B1 to Exhibit B13, inclusive) referred to and made a part of the Motion for Summary Judgment, filed December 22, 1949.

18. This Counterdesignation.

JOHNSON & LADENBERGER,

By /s/ DON A. LADENBERGER,

/s/ C. A. MIKETTA,

Attorneys for Defendants-
Appellees.

Receipt of copy acknowledged.

[Endorsed]: Filed July 20, 1950. [308]

[Title of District Court and Cause.]

CERTIFICATE OF CLERK

I, Edmund L. Smith, Clerk of the United States District Court for the Southern District of California, do hereby certify that the foregoing pages numbered from 1 to 313, inclusive, contain the original Complaint; Defendants' Interrogatories; Stipulation and Order Extending Time to Answer Interrogatories, etc.; Plaintiff's Answers to Interrogatories; Plaintiff's Interrogatories; Separate Answers of Seth D. Perkins, George E. Mitzel, La Vere Co. and Drive-In Theatres of America to Plaintiff's Interrogatories; Answer; Defendants' Request for Admissions; Plaintiff's Response to Part of Defendants' Request for Admissions; Plaintiff's Objections to Part of Defendants' Request for Admissions; Notice of Hearing on Motion for Extension of Time to Respond to Defendants' Request for Admissions etc.; Motion for Extension of Time to Respond to Defendants' Request for Admissions; Defendants' Memorandum in Opposition to Plaintiff's Motion for Extension of Time; Order Upon Plaintiff's Objections to Defendants' Request for Admissions; Plaintiff's Answer to Defendants' Request for Admissions numbered 15; Motion for Dismissal and Affidavit in Support; Motion for Summary Judgment and Affidavit and Exhibits in Support; Points and Authorities in Support of Motion for Summary Judgment; Memorandum in Support of Motion for Summary Judgment and Affidavits in Support;

Affidavits of Samuel Herbert Taylor, Jr. and A. C. Boyle in Opposition to Motion for Dismissal etc.; Memorandum in Reply to Plaintiff's Affidavits in Opposition to Motion for Summary Judgment; Memorandum Decision; Objections to Proposed Findings of Fact, Conclusions of Law and Judgment; Defendants' Memorandum in Response to Plaintiff's Objections to Proposed Findings of Fact etc.; Findings of Fact and Conclusions of Law; Summary Judgment and Decree; Notice of Appeal; Two Orders Extending Time to Docket Appeal; Statement of Points on Appeal and Two Designations of Record on Appeal and full, true and correct copies of Minute Orders Entered December 19, 1949 and April 12, 1950, and of the Docket Entries which constitute the transcript of record on appeal to the United States Court of Appeals for the Ninth Circuit.

I further certify that my fees for preparing and certifying the foregoing record amount to \$4.05 which sum has been paid to me by appellant.

Witness my hand and the seal of said District Court this 27th day of July, A.D. 1950.

EDMUND L. SMITH,
Clerk.

[Seal] By /s/ THEODORE HOCKE,
Chief Deputy. [309]

[Endorsed]: No. 12627. United States Court of Appeals for the Ninth Circuit. Park-In-Theaters, Inc., a corporation, Appellant, vs. Seth D. Perkins, George E. Mitzel, La Vere Co., a corporation and Drive-In-Theatres of America, a corporation, Appellees. Transcript of Record. Appeal from the United States District Court for the Southern District of California, Central Division.

Filed July 29, 1950.

/s/ PAUL P. O'BRIEN,
Clerk of the United States Court of Appeals for
the Ninth Circuit.

United States Court of Appeals
for the Ninth Circuit

Appeal No. 12,627

PARK-IN THEATRES, INC.,
Plaintiff-Appellant,
vs.

SETH D. PERKINS, GEORGE E. MITZEL,
LA VERE CO., a California Corporation,
and DRIVE-IN THEATRES OF AMERICA,
a California Corporation,
Defendants-Appellees.

APPELLANT'S STATEMENT OF POINTS
UNDER COURT RULE 19(6)

Now comes appellant, by its attorneys, and, in accordance with the provisions of Rule 19(6) of

this Court, submits the following as a statement of points on which it intends to rely:

1) The District Court erred in holding, in its Memorandum Decision filed March 27, 1950 [272]*,

a) that Hollingshead patent 1,909,537 in suit “is invalid for the reason stated by the United States Court of Appeals for the First Circuit, 174 F.2d 547” [272] instead of making its own independent determination of the question of validity), and [311]

b) that Hollingshead patent 1,909,537 in suit “is invalid as a matter of law, for lack of invention over the prior-art” [272], and

c) that Hollingshead patent 1,909,537 in suit “is invalid for the reason it fails to define and claim invention in such full, clear, concise and exact terms as are required by 35 U.S.C.A., Sec. 33 (Rev. Statutes 4888)” [272], and

d) that Hollingshead patent 1,909,537 in suit “is invalid in that functional language has been used” [272].

2) The District Court erred, in its Order filed April 12, 1950 [284],

a) in overruling plaintiff’s objections to defendants’ proposed Findings of Fact 4-9, inclusive and proposed Conclusion of Law 5 and proposed inclusion of attorney’s fees [284], and

b) in holding that additional suggested findings

*This refers to the pages of the original certified record herein.

10 and 11 be made a part of the Findings of Fact [284], and

c) in allowing attorney's fees in the sum of \$3400 [284].

3) The District Court erred in its Findings of Fact and Conclusions of Law, as filed April 14, 1950 [285], in the following respects:

a) the last sentence of Finding 3 [286] is improper (and deprives plaintiff-appellant of its right to obtain an independent adjudication of validity in the District Court)

b) the last sentence of Finding 4 [286] is erroneous and is not supported in the showing made to the Court

c) Finding 5 [287] is erroneous and is not supported in the showing made to the Court [312]

d) Finding 6 [287] is erroneous and is not a proper Finding of Fact and, instead, merely sets forth counsel's conclusions and interpretations of the disclosures of certain patents and publications which speak for themselves

e) Finding 7 [288] is erroneous and is not a proper Finding of Fact and, instead, merely sets forth counsel's conclusions and interpretations as to the definiteness and sufficiency of the claims in suit, which claims speak for themselves

f) Finding 8 [288] is erroneous and is not a proper Finding of Fact and, instead, is simply counsel's opinion as to the factors affecting visibility of a motion picture screen (in the nature of a hypothetical discussion having no foundation in

the showings made to the Court) and counsel's conclusions and opinion as to the adequacy of disclosure and definiteness of claims of the patent in suit

g) Finding 9 [289] is erroneous and is not a proper Finding of Fact and, instead, is merely counsel's conclusions and interpretations of the claims of the patent in suit

h) Finding 10 [289] is erroneous and is not a proper Finding of Fact and, instead, is merely counsel's conclusion and opinion as to affidavits which speak for themselves

i) Finding 11 [289] is erroneous and is not supported in the showings made to the Court

j) Conclusion 3 [289] is erroneous and is not supported by the showing made to the Court and is improper insofar as it attempts to adjudicate the validity of Hollingshead patent 1,909,537 with respect to those claims which were not in suit [313]

k) Conclusion 4 [289] is erroneous and is not supported in the showing made to the Court and is improper insofar as it attempts to adjudicate the validity of Hollingshead patent 1,909,537 with respect to those claims which were not in suit

l) Conclusion 5 [290] is erroneous and is not supported in the showing made to the Court and is improper insofar as it attempts to adjudicate the validity of Hollingshead patent 1,909,537 with respect to those claims which were not in suit

m) Conclusion 6 [290] is erroneous and is not supported in the showing made to the Court and is improper insofar as it attempts to adjudicate the

validity of Hollingshead patent 1,909,537 with respect to those claims which were not in suit

n) Conclusion 7 [290] is erroneous and is not supported in the showing made to the Court and is improper insofar as it attempts to adjudicate the validity of Hollingshead patent 1,909,537 with respect to those claims which were not in suit

o) Conclusion 8 [290] is erroneous and is in conflict with the well settled principle that a District Court should decide all issues going to infringement as well as validity so that, in the event that its decision on validity is reversed on appeal, there will be no need to send the case back for trial on the issue of infringement

p) Conclusion 9 [290] is erroneous insofar as it awards attorney's fees in the sum of \$3400, and is not supported by the showing made to the Court, and without having afforded plaintiff any opportunity to examine the attorneys in open Court as to their claimed fees, and is in conflict with the well settled principle [314] that attorney's fees are not awarded in ordinary patent cases and in the absence of unusual circumstances (such as were not shown to be present in the case at bar)

4) The District Court erred in entering summary judgment [291] holding the patent in suit invalid (in the absence of any fully anticipatory prior-art) without affording plaintiff an opportunity to prove its case (independently of the decision of the First Circuit) by a full and complete trial on the merits.

5) The District Court erred in awarding defendants attorney's fees in the sum of \$3400 [293] in the complete absence of any showing of unusual circumstances justifying the award of any attorney's fees whatever and in the complete absence of any factual showing as to the nature and extent of the services rendered by defendants' attorneys (other than a mere statement as to the total amount of services billed and to be billed, but without any breakdown as to the time spent, to justify the size of the fees claimed).

LYON & LYON,

/s/ LEONARD S. LYON,

/s/ REGINALD E. CAUGHEY,

Attorneys for Plaintiff-
Appellant.

/s/ LEONARD L. KALISH,

Counsel for Plaintiff-
Appellant.

Receipt of copy acknowledged.

[Endorsed]: Filed August 9, 1950.

~~ORIGINAL~~

No. 12627

Docketed

In the
United States Court of Appeals
For the Ninth Circuit

Park-In Theatres, Inc.
plaintiff-appellant
vs.

**Seth D. Perkins, George E. Mitzel, La Vere Co. (a
corporation) and Drive-In Theatres of America (a
corporation)**
defendant-appellees

Appeal from the
United States District Court
for the Southern District of California
Central Division

Appellant's Brief

REGINALD E. CAUGHEY,
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Attorneys for Appellant

FILED

1950

PAUL P. O'BRIEN,
CLERK

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Jurisdictional Statement

District Court's Jurisdiction

The case comes before this Court on plaintiff's appeal from the District Court's summary judgment (Rp 140) of patent-invalidity (dated April 13, 1950) dismissing a patent-infringement complaint (Rp 2).¹

Each of the defendants is admittedly (Rpp 2-3 & 30) a citizen of California and *inhabitant* of the District.

The District Court had jurisdiction over the subject-matter, under 35 U.S.C. 67 and under 28 U.S.C. 371.²

The District Court had jurisdiction over the defendants under 28 U.S.C. 109³ effective on August 27, 1948 (when the Complaint at bar was filed).

This Court's Jurisdiction

This Court has jurisdiction of the Appeal under 28 U.S.C. 291.

Plaintiff-appellant filed its Notice of Appeal (Rp 143) to this Court on May 11, 1950; within 30 days of the entry of the aforesaid final judgment and decree. Hence the appeal was timely.

Statement of the Case

Patent-in-suit was not before the District Court

The patent-in-suit was not included in the original record as sent up by the Clerk of the District Court nor in the printed Transcript of Record on appeal, because the record in the Court below (upon which the summary judgment and decree was based) did not include the patent-in-suit. However, for this Court's convenience, three copies of plaintiff's patent-in-suit, No. 1,909,537, are submitted herewith, so that this Court may examine the patent-in-suit.

¹ this, and other page-references throughout this brief, refer to the pages of the *printed* Transcript of Record filed in this Court, except where otherwise indicated

² since superseded by like Section 1338(a) of Title 28 of the United States Code, effective September 1, 1948

³ since superseded by like Section 1400(b) of Title 28 of the United States Code, effective September 1, 1948

The claims-in-issue are also reproduced in *Appendix B* hereto;—accompanied by fourteen (14) footnotes to the 14 claim-elements or claim-features;—showing the concordance between the various claim-elements or claim-features and the specification & drawings of the patent-in-suit, and accompanied by a *Tabulation of these Footnotes in relation to each of the claims-in-issue* (*Appendix B* being paginated with consecutive numbers, starting with 1, bearing the suffix “b”;—i.e. 1b, 2b, 3b etc).

The drive-in theatre of the patent-in-suit

The drive-in theatre of the patent in suit consists, inter alia, of an elevated screen and a successive series of arcuate *depressed* driveways and arcuate rows of car-aiming ramps (also called “stallways”) alternating with each other (in front of the screen);—the car-aiming ramps being so *backwardly* inclined (that is, with the front of the car-aiming ramp higher than the rear thereof) and being so arranged in relation to the intervening driveways that the cars may be driven from the driveways onto the car-aiming ramps, thereby tilting the car at an angle to aim it at the screen, with this car-aiming angle variable or adjustable for different heights of windshields and car-seats and for the different sizes of their occupants, by moving the car slightly forward or rearward on the inclined car-aiming ramp, thereby to adjust the car-aiming angle so that the vertical angle-of-vision of the car occupants will register with and encompass the vertical dimension of the screen with the lower sight-line clearing the roofs of the cars on the car-aiming ramps ahead;—each driveway being depressed below the front of the car-aiming ramp behind it, so that cars can drive in and out without passing through the line-of-vision of the car-occupants on the car-aiming ramps, and with successively rearward car-aiming ramps being successively higher in general elevation but having successively lesser angles of inclination, and electrical sound-reproducing means disposed in operative relation to the car-aiming ramps.

In *Park-In Theatres Inc. vs. M. A. Rogers et al*, 130 *F.2d* 745, this Court briefly described the invention of the patent-in-suit at pages 747 & 746.

Pleadings and Proceedings in the District Court

Because the District Court also awarded \$3,400.00 as attorneys' fees under 35 U.S.C. 70, without defendants ever having made a motion therefor as required by *Rule 7-b(1)* and without any notice of any motion therefor, and without any showing (by affidavit or otherwise) of any unusual circumstances justifying *any* award of attorneys' fees, and because of the unwarranted inclusion, by defendants' counsel, of the wholly unsupported statement in *Finding 11* (Rp 138) that "the action was brought upon surmise and suspicion and plaintiff repeatedly delayed proceedings" (all of which are contrary to the facts shown by the record), we hereinbelow outline the pleadings and proceedings in the District Court in somewhat greater detail than perhaps would otherwise be necessary, and, for the Court's convenience, we have also supplied herewith, as *Appendix A*, a complete chronologic descriptive list of all *Filings and Proceedings in the District Court*, with page-references either to the original type-written Record sent up from the District Court or to the printed *Transcript of Record on appeal*, as to all listed items which were sent up from the District Court (*Appendix A* being paginated with consecutive numbers, starting with 1, bearing the suffix "a";—i.e. 1a, 2a, 3a etc.).

Defendants' belated Motion to Dismiss and the grounds thereof

On December 9, 1949, more than one and a quarter (1¼) years after the Complaint was filed and a year after their Answer thereto was filed, and 8 months after plaintiff filed its Answer (Rpp 75) to defendants' Request for Admission No. 15*, the defendants filed a Motion to Dismiss (Rpp 75-82), urging the invalidity of the

* during which 8-month period defendants did nothing except to ask that the case be *not* set down for trial (see item 40 of Appendix A at page 4a thereof)

patent in suit and the dismissal of the Complaint upon the following three grounds:

Ground 1 of defendants' Motion to Dismiss was that

- 1 "The patent in suit has been held invalid by the **U. S. Court of Appeals for the First Circuit** in *Park-In Theatres Inc. vs. Loew's Drive-In Theatres, Inc.*, 174 F.2d 547 . . . and although the plaintiff . . . applied for a writ of certiorari to the Supreme Court of the United States, certiorari was denied. . . . The patent in suit is **therefore** invalid. . . . Since the patent in suit is invalid and it is impossible to find infringement of an invalid patent, there is no basis for the present suit and it should be dismissed." (Rpp 78-9)

Not having even attempted to bring before the District Court the Record in the *Park-In vs. Loew's* case, nor even suggested in its motion or supporting affidavit what was contained in such Record, defendants' *Ground 1* must have been predicated on one of two theories, namely,

- 1) that the First Circuit's decision had held the patent invalid for lack of invention *on its face* (without reliance upon any prior-art or external evidence of any kind),

or

- 2) that the First Circuit's decision was one *in rem* or having the force of *res judicata*.

Ground 2 of defendants' Motion to Dismiss was that

- 2 ". . . the **Court of Appeals** did not specifically refer to prior-patents in support of its holding of invalidity. The record in the instant case refers to prior patents which support **this decision** and renders a holding of invalidity inescapable" (Rpp 80-81);—

defendant's Motion to Dismiss asking the Court to take judicial notice of the Coliseum in Rome and of Soldiers' Field in Chicago (Rp. 81) and citing Lempert patent 1,304,532 (Rp 164) issued in 1884, McKay patent 778,325 (Rp 182) issued

in 1904 and Hale patent 800,100 (Rp 194) issued in 1905 and Keefe patent 1,238,151 (Rp 224) issued in 1917.

Ground 2 of defendants' motion appears to have been that if *ground 1* were found untenable then the Court is invited to look at some prior-patents and structures, seemingly on the theory that such prior-patents and structures would "support this decision" of the First Circuit. Defendants must no doubt have felt the need for such additional prior-art to "*support this decision*" because they recognized that

1) if the First Circuit's decision was based upon non-invention *on the face of the patent*, then it is in conflict with this Court's decision in *Park-In vs. Rogers, supra*, and the District Court then erred in not following this Circuit (as pointed out under *Argument-Points 4 & 6, infra*),

while

2) if defendants' *ground 1* and the lower Court's decision are predicated upon the theory that the First Circuit's decision was one *in rem* or had the force of *res judicata*, then *ground 1* was untenable and the lower Court's decision reversible for that reason (as pointed out in *Argument-Point 3, infra*).

Ground 3 of defendants' Motion was that

3 " . . . plaintiff . . . has admitted facts that now prevent plaintiff from contending that the patent is valid. The admitted facts render **the decision of the Court of Appeals for the First Circuit controlling**" (Rp 82);—

the "admitted facts" being that some of the individual component elements of the drive-in theatre structure (defined by the claims-in-issue) were old more than two years prior to the filing of the application for the patent-in-suit;—there being *no* admission, however, either that *all* the

component claim-elements were old or that the *combination* called for by the claims-in-suit was old prior to such filing date.

Ground 3 (like *ground 2*) is just another tender of "support" for the First Circuit's decision;—no doubt for the same reasons that such "support" was tendered under *ground 2*.

Miketta affidavit in support of Motion to Dismiss

Defendants' aforesaid Motion to Dismiss was accompanied only by the *opinion*-affidavit of defendants' attorney of record and chief advocate, Mr. Miketta, to the effect that, *in his opinion*, the decision of the Court of Appeals for the First Circuit in *Loew's vs. Park-In, supra*, was correct, in view of the Lempert, McKay and Keefe patents, *supra*, cited by defendants at bar (Rpp 85-7);— *this affidavit being devoid of any statement as to affiant's qualifications as an expert in the art*. This opinion-affidavit further goes on to say that defendants' attorney "has carefully studied the patent in suit . . . and the claims thereof and has made a careful study of prior patents and publications relating to the subject matter of the patent in suit; that the study convincingly shows that patent No. 1,909,537 is invalid for lack of invention and by reason of the fact that it fails to comply with R.S. 4888 (35 U.S.C.A. 33)."

Defendants' Motions based in reality on First Circuit's decision in Loew's case, as though it was a decision in rem;—with defendants' newly-cited prior-art and their other grounds mere makeweight

The above-quoted portions (constituting all the relevant parts) of defendants' Motion to Dismiss show, *on their face*, that *each* of the *three grounds* of defendants' motion was bottomed on the First Circuit's decision in the *Loew's case*, and upon defendants' interpretation that the First Circuit did not rely upon *any* prior-art of record for its holding of *non-invention* and that such holding of *non-invention* was, in essence, based merely *on the face of*

the patent-in-suit,¹ and upon defendants' erroneous conception (seemingly adopted by the District Court) that such decision of the First Circuit was a decision *in rem* or having the force of *res judicata** (and the reference to prior patents was mere makeweight).

Defendants' aforesaid Motion to Dismiss came on for hearing on December 19, 1949, but defendants, preferring not to rely on their Motion to Dismiss, but instead to expand the basis of their request that patent-in-suit be held invalid, asked and were granted leave to have their Motion to Dismiss "deemed a motion for summary judgment" and requested and were granted leave to file, on or before December 21, 1949, "a supplemental or amended motion for summary judgment" (Rp 88).

Defendants' belated Motion for Summary Judgment and the grounds thereof

On December 21, 1949, defendants filed their Motion for Summary Judgment (Rpp 89-94) asking for a judgment of patent-invalidity on four (4) grounds:

1 The first ground of defendants' Motion for Summary Judgment is the same as *Ground 1* of defendants' previous Motion to Dismiss, namely, the decision of the First Circuit in *Loew's vs. Park-In, supra*, and the Supreme Court's denial of certiorari in respect thereto (Rp 90).

2 The second ground of defendants' Motion for Summary Judgment is generally the same as *Ground 2* of defendants' Motion to Dismiss; *defendants' Motion for Summary Judgment here citing the 4 patents cited in defendants' earlier Motion to Dismiss and 11 additional patents* (Rpp 90-1).

3 The third ground of defendants' Motion for Summary Judgment is that the patent-in-suit is invalid be-

¹ wherefore plaintiff-appellant submits that the First Circuit's decision in the *Loew's case* is in conflict with the spirit if not indeed the letter of this Court's decision in the *Rogers case* (130 F.2d 745);—as shown more fully under *Argument-Point 4* hereinbelow

* as did the lower Court in *Park-In vs. Waters*,—F.2d—; CA-5 (87 USPQ 291), quoted on page 38, *infra*

cause “it fails to define and claim the invention in such full, clear, concise and exact terms as are required by the provision of R.S. 4888 (35 U.S.C.A. 33)” namely, that the patent does not specify or “does not define . . . in feet, inches, yards, meters, degrees or any other unit of measurement”, the various parts of the drive-in theatre “so as to enable any person skilled in the art or science to which it appertains, or with which it is most clearly connected, to make, construct and compound the same” (Rpp 91-92).

4 The fourth ground of defendants’ Motion for Summary Judgment is that the patent is invalid because “at the point where the invention purportedly exists, the patentee uses functional language” (i. e. in the claims), citing *General Electric Co. vs. Wabash Co.*, 304 U.S. 364, (Rpp 92-3)

— — — — —

The *third* and *fourth* grounds of defendants’ Motion for Summary Judgment were not contained or in any way suggested in defendants’ earlier-filed Motion to Dismiss.

“Anticipation” not ground of either Motion, and non-invention on face of patent, not ground of either Motion

It should also be noted that while *Conclusion 5* (Rp 139) and *paragraph 5 of the Judgment* (Rp 141) are “anticipation”, yet *neither* in their belated Motion to Dismiss *nor* in their still later filed Motion for Summary Judgment, did defendants set up as a ground or basis of their motion (or otherwise ever contend) that any prior patent or any other item of prior-art (such as the Coliseum in Rome or the Soldiers’ Field in Chicago or the Encyclopedia Britanica) “*anticipates*” the patent-in-suit, namely, defendants did not contend (in or on either of their aforesaid Motions) that any of these prior patents or publications in and of themselves disclose the drive-in theatre of the patent-in-suit or that any pre-existent or prior-used structure was a drive-in theatre structure like that of the patent-in-suit.

Likewise, neither of defendants' motions included, as a ground thereof, that the patent was invalid for lack of invention *on its face*;—unless such ground was included *inferentially* by reliance upon the First Circuit's decision in *Park-In vs. Loew's, supra*.

On their contention of non-invention or "lack or invention over the prior-art", defendants merely contended that while *none* of the prior-art patents, publications and devices disclosed (or were like) the drive-in theatre structure of the patent-in-suit, such "prior-art" was nevertheless sufficient to suggest such a drive-in theatre and to teach those skilled in the art how to build a drive-in theatre like that of the patent-in-suit, without such *man-skilled-in-the-art* having to exercise any inventive faculty of his own in order to get from the prior patents and publications (or from the pre-existent structures) both a sufficient suggestion and an adequate teaching of the drive-in theatre of the patent-in-suit.

Miketta affidavit in support of Motion for Summary Judgment

Defendants' Motion for Summary Judgment was accompanied by another affidavit of defendants' attorney and chief advocate, Mr. Miketta, who, *without offering or stating any qualification as an expert in the art*, sets forth his arguments and conclusions, in affidavit form, as to the prior-art and as to the patent-in-suit, as to the pleadings and as to the law relied upon by defendants on the various grounds of their Motion for Summary Judgment (Rpp 95-102).

Proceedings underlying the award of attorney's fees, and plaintiff's lack of its day in court in respect to such award

Defendants did not file *any* written motion or notice of motion as required by Rule 7-b(1) of the Federal Rules of Civil Procedure and did not present any oral motion for an award of attorney's fees under 35 U.S.C. 70. Hence, plaintiff was not apprised of the grounds defendants would

rely upon, in their *Finding 11* (Rp 138),* as a basis for an award of attorney's fees. Instead, defendants' chief counsel, Mr. Miketta, filed an affidavit (Rp 104) merely saying that he

"has heretofore billed the said defendants, for services and disbursements pertaining to the above action, the sum of \$2,685.70 and, in addition, has rendered services amounting to \$375.00 which are as yet unbilled"

and defendants also filed affidavit of their other attorney, Mr. Ladenberger (Rp 105), merely to the effect that his office

"has already been paid by defendants the sum of \$281.25 in legal fees for services rendered; that since the services rendered which have been paid for, affiant has rendered additional services for defendants including court appearances, conferences with other attorneys of record for the defendants and in the preparation and review of various pleadings and other documents filed in the above-entitled case; that to the date of this affidavit the reasonable value of said services is the sum of \$150.00, and that defendants have been rendered a statement for services in that amount."

The Miketta affidavit and the Ladenberger affidavit neither itemized or showed what specific services were charged for, nor stated that the charges made for services were *reasonable attorneys' fees for such services* or that they were for services *necessary to this suit*.

Not having been apprised, in any way, as to any grounds for the award of any attorney's fees, plaintiff, of course, could not (and hence did not) offer any affidavit or any other showing in opposition to an award of attorney's fees.

There having been no motion for an award of attorney's fees and the matter of the award of attorney's fees not having been noticed for hearing at any time, and there

* proposed by defendants' attorney *after* the District Court had made the award (Rp 133)

having been no hearing of any kind upon the matter of the award of attorney's fees, plaintiff was never afforded any opportunity to examine defendants or their attorneys either as to the grounds for an award of attorney's fees or as to the reasonableness of the fees alleged in defendants' aforesaid Miketta affidavit and Ladenberger affidavit (which affidavits did *not* itemize the claimed fees).

**Plaintiff's showing in opposition
to defendants' Motion for Summary Judgment**

In opposition to defendants' Motion to Dismiss and in opposition to defendants' Motion for Summary Judgment, and in answer to defendants' affidavits filed in support of these motions, plaintiff filed the affidavits of Samuel Herbert Taylor, Jr. (Rpp 106-114) and A. C. Boyle (Rpp 115-128).

**Taylor affidavit,
in opposition to Motion for Summary Judgment**

This Taylor affidavit (Rpp 106-114) refers to his earlier-filed affidavit (Rp 75) wherein Taylor shows his qualifications as an expert in the art, namely, that he is a graduate of the Engineering School of Pennsylvania State College and a Registered Professional Engineer under the Laws of the State of New Jersey, and that since 1923 and continuously to date he has been employed in the County Engineer's Office of Camden County, New Jersey, and that *since 1938 he has been the County Engineer of Camden County, New Jersey, in charge of civil engineering* (such as the planning and construction of highways, bridges, etc.) and that continuously *since 1933 he has also been engaged in the preparation of working drawings and specifications to be used as a basis for entering into contracts, with building contractors, for the building of drive-in theatres of the patent-in-suit, in various locations, and that he is thoroughly familiar with the building of drive-in theatres of the patent-in-suit and has prepared many such contract-drawings and contract-specifications used in the building of drive-in theatres of the patent-in-suit* (Rpp 75-76).

Taylor also shows in his later-filed affidavit that he is in constant professional contact with engineers and architects, belongs to a number of engineering societies, and *has trained and supervised many other engineers.*

Plaintiff's opposing Taylor affidavit (Rpp 106 et seq) shows that Taylor examined the prior patents and publications relied upon by defendants on their motion for summary judgment, and that none of these patents discloses or suggests a drive-in theatre, much less a drive-in theatre structure like that of the patent-in-suit, and that none of these patents and publications contain any disclosure which would teach a man-skilled-in-the-art how to build a drive-in theatre like that of the patent-in-suit. The Taylor affidavit quotes from the Encyclopedia Britanica item relied on by defendants to show the complete irrelevance of this publication and also pointing out the non-analogous and irrelevant character of the other prior patents most relied on by defendants, and shows the problem inherent in theatres and the manner in which such problem was solved for the first time by the drive-in theatre of the patent-in-suit and shows that such problem is (even to this date) not solved in the conventional motion-picture theatre houses, and that:

“None of the prior-art relied upon by defendants discloses a theatre construction in which a successive series of rearwardly-tilted car-supporting and car-aiming surfaces are provided, separated by driveways wider than these car-supporting surfaces and in which the driveways are substantially depressed below the level of the high front-edge of the car-supporting or car-aiming surface immediately behind it, so that the cars can pass to and fro on the driveway below the lowest line of vision of the occupants in the cars on the car-supporting surface immediately behind the driveway, and in which the successive car-aiming surfaces are successively at a higher elevation in respect to each other.

“No such construction or arrangement is disclosed in any of the prior-art nor have I ever seen any

theatre construction or any other construction in which this arrangement was present prior to the advent of the Hollingshead drive-in theatre.

“I am in constant contact with engineers and belong to a number of engineering societies and have trained and supervised many other engineers both young and of various ages, and in my professional activities for more than 20 years I have also been in constant contact with architects in connection with various professional projects on which I have worked.

“To bring into being the drive-in theatre disclosed in the Hollingshead patent and defined by the claims thereof required the exercise of the inventive faculty and indeed, required the exercise of invention of a high order, at the time when Hollingshead made his invention or as of the filing date of his patent.

“No engineer or architect or any other person skilled in any of the related arts could have brought into being the drive-in theatre disclosed and claimed in the Hollingshead patent merely by applying ordinary mechanical skill to the ‘prior-art.’ Indeed no engineer, architect or other person skilled in any of the related or analogous arts ever conceived or brought into being a drive-in theatre like that disclosed in and defined by the claims of the Hollingshead patent, prior to Hollingshead.” (Rpp 112-114)

**Boyle affidavit and Exhibits,
in opposition to Motion for Summary Judgment**

Plaintiff’s Boyle affidavit, filed in opposition to defendants’ Motion and in reply to defendants’ moving affidavits, shows that plaintiff’s patent-in-suit resulted in the development of a large *new* industry which would otherwise not have come into being;—the affidavit submitting copies of various articles in trade publications (Plaintiff’s Exhibits 2 to 14, reproduced in the Transcript of Record at Rpp 258-275) showing the *pioneer character* and commercial success of the drive-in theatre of the patent-in-suit and its great contribution to the motion-picture producing and exhibiting industry;—*inter alia*, in

creating new motion-picture patronage which the industry would otherwise not have and in producing large profits for picture-producers and for picture-exhibitors which they otherwise would not have. See *list* of trade-publications on *Appendix*-pages 6a & 7a.

**District Court's memorandum decision
on motion for summary judgment**

Without any hearing and without rendering any Opinion on defendants' Motion for Summary Judgment, and without the patent-in-suit even being in the record before the Court, the District Court, on March 27, 1950, entered a Memorandum Decision (Rpp 129-30)

- 1) that the patent-in-suit is invalid for the reasons stated in the First Circuit's decision in the *Loew's case*, supra,
- 2) that the patent-in suit is invalid as a matter of law for lack of invention over the prior-art,
- 3) that the patent-in-suit is invalid for failure clearly to define and claim the invention, and
- 4) that the patent-in-suit is invalid because of the use of functional language.

The lower court's Memorandum Decision was silent as to *any* attorney's fees (Rpp 129-130).

Proceedings resulting in the Findings of Fact and Conclusions of Law and in the award of attorneys' fees, and in the entry of Judgment;—Judgment based on a ground not included in defendants' Motions and not supported by any Finding

On April 1, 1950, defendants submitted their proposed Findings of Fact 1 to 9, which were wholly silent as to any basis or ground for the award of any attorneys' fees.

On April 6, 1950 plaintiff filed its Objections (Rpp 130-132) to the aforesaid proposed Findings of Fact,

On April 12, 1950 defendants filed a Memorandum suggesting, *for the first time*, additional Findings 10 & 11 (Rp 138);—proposed Finding 10 being merely counsel's argument as to the weight to be given to plaintiff's affida-

vits (Rpp 106-114 and 115-128) filed in opposition to defendants' motion for summary judgment, and proposed Finding 11 being merely counsel's very general conclusions "that the action was brought upon surmise and suspicion and that plaintiff repeatedly delayed the proceedings", *without pointing to any specific fact or making specific reference to the pleadings or proceedings* which might be claimed to support such conclusions of counsel.

On the same day (4-12-50), *without affording plaintiff an opportunity to object to newly-proposed Findings 10 and 11*, the District Court overruled (Rpp 132-133) plaintiff's Objections (Rpp 130-132) to defendants' proposed Findings 1 to 9* and to defendants' proposed Conclusions of Law, and adopted the same, and also *adopted the so belatedly proposed Findings 10 & 11* (Rp 133) and allowed attorneys' fees in the sum of \$3,400.00 on the basis of the *unitemized* Miketta (Rp 104) and Ladenberger (Rp 105) affidavits;—without plaintiff having been given an opportunity either to refer to the record or to offer evidence in refutation of counsel's general conclusions stated in Finding 11 and without any opportunity to examine the affiants Miketta and Ladenberger as to the facts underlying and as to the itemization of the lump-sum claimed as attorneys' fees or as to the reasonableness of the item-charges included in the lump-sum amount or as to grounds for the allowance of any attorney's fee.

On April 13, 1950 the District Court entered the Summary Judgment and Decree (Rpp 140-142) in the form proposed by defendants' counsel, holding the patent-in-suit invalid upon each of the four grounds of defendants' Motion for Summary Judgment (paragraphs 3, 4, 6 & 7 of the Judgment, at Rpp 141-2), and *also* holding the patent-in-suit invalid upon the *additional* ground set out in paragraph 5 of the Judgment (Rp 141), namely, "anticipation"², which was *not* made a basis or ground

* adding only the words

"but claims invention in the combination of the elements. There is no invention in the alleged combination"

to the end of Finding 4 proposed by defendants (Rp 134)

²i.e. that some prior patent or publication discloses the drive-in theatre of the patent-in-suit or that some pre-existent or prior-used structure was in fact a drive-in theatre like that of the patent-in-suit

of defendants' Motion for Summary Judgment (Rpp 89-94) or of defendants' antecedent Motion to Dismiss (Rpp 77-85), and which ground is *not* supported by *any* Finding of Fact (Rpp 133-138).

Questions Presented

Question 1-a: Is the patent-in-suit* invalid for non-invention *on its face*, namely, without reliance upon any prior-art?

as defendants seemingly contend² that the First Circuit held in *Loew's vs. Park-In* (174 F.2d 547), and as seemingly held by the District Court in the case at bar in paragraph 1 of its Memorandum Decision (Rp 129) and in paragraph 3 of its Finding of Fact (Rp 134) and in paragraph 3 of its Conclusions of Law (Rp 138) and in paragraph 3 of its Summary Judgment and Decree (Rp 141)

or, conversely

Question 1-b: Is the patent-in-suit presumptively valid (with any "reasonable doubt of patentability or invention . . . resolved in favor of the validity of the patent") so that the patent may *not* be declared invalid on a motion for summary judgment, and so that "the patentee has the right to fortify the presumption of validity of the patent by proof of matters tending to show that the conception of the patentee involved invention and utility", as stated by this Court in *Park-In Theatres, Inc. vs. Rogers* (130 F.2d 745)?

Question 1-a is raised by Point 1-b of Appellant's Statement of Points under Rule 19(6) and by paragraph 3 of the Judgment, while *Question 1-b* is raised by Point 4 of Appellant's Statement of Points under Rule 19(6) and by paragraph 3 of the Judgment.

*namely, claims 2, 4, 5, 6, 10, 15, 16 & 19 in issue;—these claims-in-issue being referred to, throughout this Brief, whenever any reference is made to the validity of the patent-in-suit

² in *paragraph 1* of their Motions quoted on pages 4 & 7, *supra*

Question 2: Is not the decision of the District Court in the case at bar holding the patent-in-suit invalid for lack of invention on its face, and the decision of the First Circuit in *Loew's vs. Park-In* (174 F.2d 547) upon which such decision of the District Court is bottomed, in direct conflict with the spirit and principle if not indeed the letter of this Court's decision in *Park-In vs. Rogers* (130 F.2d 745)?

Question 2 is raised by Point 1-a of Appellant's Statement of Points under Rule 19(6) and by paragraph 3 of the Judgment.

Question 3-a: Does the decision of patent-invalidity of a Court of Appeals, as to which decision certiorari has been denied, operate *in rem* (or have the effect of *res judicata*) so as to be binding or conclusive upon a District Court in *another* Circuit in a case involving a *different* defendant?

or, conversely,

Question 3-b: Is a patentee entitled to obtain an independent adjudication as to the validity of his patent, even though the Court of Appeals for another Circuit has held the patent invalid in a case involving another defendant, in which other case the Supreme Court has denied certiorari?

Questions 3-a & 3-b are raised by Points 1-a and 4 of Appellants' Statement of Points under Rule 19(6) and by paragraphs 3 and 4 of the Judgment.

Question 4: May the District Court hold the patent-in-suit invalid on a Motion for Summary Judgment and enter summary judgment in favor of movant, upon a ground (i.e. "anticipation") *not* made a ground or basis of the motion (nor urged by affidavit, in brief or on oral argument)?

Question 4 is raised by Points 3-1 and 4 of Appellant's Statement of Points under Rule 19(6) and by paragraph 5 of the Judgment.

Question 5: Is the patent-in-suit invalid as “anticipated” by the prior-art relied on by defendants on their Motion for Summary Judgment, namely, does *any* one item of prior-art (in and of itself) disclose the drive-in theatre of the patent-in-suit?

as seemingly held by the District Court in paragraph 5 of its Conclusions of Law (Rp 139) and in paragraph 5 of its Summary Judgment and Decree (Rp 141), but *not* in its Memorandum Decision (Rp 129) *nor* in its Findings of Fact (Rpp 133-138);—“anticipation” not having been made the basis of defendants’ motions (Rpp 77-85 and 85-94)

Question 5 is raised by Points 1-b and 3 of Appellant’s Statement of Points under Rule 19(6) and by paragraph 5 of the Judgment.

Question 6. Is the patent-in-suit invalid, as a matter of law, for lack of invention over the prior-art, upon the record made on defendants’ Motion for Summary Judgment?

as held or found in paragraph 2 of the District Court’s Memorandum Decision (Rp 129), and in paragraphs 4, 5 and 6 in the District Court’s Findings of Fact (Rpp 134-6), and in paragraph 4 of the District Court’s Conclusions of Law (Rpp 138-9), and in paragraph 4 of the District Court’s Summary Judgment (Rp 141)

Question 6 is raised by Points 1-b, 3-b, 3-c, 3-d, 3-k and 4 of Appellant’s Statement of Points under Rule 19(6) and by paragraph 4 of the Judgment.

Question 7: Should the disputed fact-question of invention (and/or of adequacy of disclosure) affecting validity of a patent, be decided on motion for summary judgment?

Question 7 is raised by Point 4 of Appellant’s Statement of Points under Rule 19(6) and by the Judgment.

Question 8: Should an important patent be struck down on a motion for summary judgment as invalid for lack

of invention solely on the basis of an affidavit of the infringers' attorney not qualified as an expert in the art, giving his interpretation of the prior art (none of which is claimed to anticipate the patent-in-suit), where there is an answering affidavit of a well-qualified expert in the art, taking a diametrically opposite view of the prior art, and where there is another answering affidavit and exhibits showing that the invention of the patent-in-suit is of a pioneer character and created a new, large, profitable and wide-spread industry?

Question 8 is raised by Points 3-d to 3-h of Appellant's Statement of Points under Rule 19(6) and by the Judgment.

Question 9: Is the patent-in-suit invalid as violative of 35 U.S.C. 33, because of the use of allegedly functional language therein or because the specification, drawings and claims thereof do not specify the dimensions of the several parts of the drive-in theatre of the patent-in-suit?

as held or found in paragraph 4 of the District Court's Memorandum Decision (Rp 129), and/or in paragraphs 7, 8 and 9 of the Findings of Fact (Rpp 136-8) and/or in paragraph 7 of the Conclusions of Law (Rp 139) and/or in paragraph 7 of the Summary Judgment (Rp 142)

Question 9 is raised by Points 1-c, 1-d, 3-e & 3-f of Appellant's Statement of Points under Rule 19(6) and by paragraph 6 of the Judgment.

Question 10: Is the patent-in-suit invalid on its face for alleged indefiniteness of its claims, under 35 U.S.C. 33?

as held or found by the District Court in paragraph 3 of its Memorandum Decision (Rp 129) and/or in paragraphs 7, 8 and 9 of the Findings of Fact (Rpp 136-8) and/or in paragraph 6 of the Conclusions of Law (Rp 139) and/or in paragraph 6 of the Summary Judgment (Rp 141)

Question 10 is raised by Points 1-c, 1-d, 3-e, 3-f & 3-g of Appellant's Statement of Points under Rule 19(6) and by paragraph 7 of the Judgment.

Question 11: Does the record before the District Court on defendants' Motion for Summary Judgment so conclusively overcome the legal presumption of validity of the patent-in-suit as to require the District Court to hold or to justify it in holding the patent-in-suit invalid?

without affording plaintiff an opportunity, upon a trial, "*to fortify the presumption of validity of the patent by proof of matters tending to show that the conception of the patentee involved invention and utility*" and without "*the advantage of such additional light as is permissible in a patent case upon the question of invention, priority, etc.*" (*Park-In vs. Rogers* 130 F.2d 745; CCA-9)

Question 11 is raised by Point 4 of Appellant's Statement of Points under Rule 19(6) and by the Judgment.

Question 12: Are the questions of fact raised by defendants' Motion for Summary Judgment so clearly resolved in favor of defendants, *by the record*, as to require the District Court to hold or to justify the District Court in holding the patent-in-suit invalid?

thus denying to plaintiff the right of trial by jury of the fact-questions affecting validity

Question 12 is raised by the Judgment.

Question 13: Does not plaintiff's right of trial by jury in the case at bar, require that the District Court should weigh the evidence and determine the fact-question of *invention over the prior-art* in the same manner and by the same test as it would have to weigh such evidence and determine such fact-question if it refused to allow such fact-question to go to the jury at the conclusion of a trial upon which the sum-total of evidence was merely the evidence now contained in the record made on defendants' motion for summary judgment?

(namely, by the test of whether "reasonable men could differ" on the fact-question of whether it required the exercise of the inventive faculty to bring into being the drive-in theatre structure of the patent-in-suit, in view of the prior art)

Question 13 is raised by Point 4 of Appellant's Statement of Points under Rule 19(6) and by the Judgment.

Question 14-a: Does the record before the District Court on defendants' Motion for Summary Judgment require or justify any award of attorneys' fees to defendants under the provisions of 35 U.S.C. 70?

Question 14-b: Has the District Court clearly found and stated the basis upon which attorneys' fees have been awarded, as required, *inter alia*, by this Court's recent decision in *Dubil vs. Rayford Camp & Co.* F.2d ; (CA-9) 87 USPQ 143, 146?

Question 14-c: Does the record before the District Court upon defendants' Motion for Summary Judgment establish that the \$3,400.00 awarded as attorneys' fees was "reasonable"?

Questions 14-a to 14-c are raised by Points 3-i, 3-o, 3-p & 5 of Appellant's Statement of Points under Rule 19(6) and by paragraph 8 of the Judgment.

Specifications of Errors Relied Upon

1) The District Court erred in holding the patent-in-suit* invalid on the basis of the decision of the First Circuit in *Loew's vs. Park-In* (174 F.2d 547);—

as it did in paragraph 1 of its Memorandum Decision (Rp 129) and in paragraph 3 of its Findings of Fact (Rp 134) and, seemingly, in paragraph 3 of its Conclusions of Law (Rp 138) and, seemingly, in paragraph 3 of its Summary Judgment (Rp 3).

2) The District Court erred in holding the patent-in-suit* invalid for non-invention or lack of invention on the face of the patent, namely, without reliance upon any prior-art,

as it seemingly did in paragraph 1 of its Memorandum Decision (Rp 129) and in paragraph 3 of its Findings of Fact (Rp 134) and in paragraph 3 of its Con-

* namely, claims 2, 4, 5, 6, 10, 15, 16 & 19 thereof, in issue

clusions of Law (Rp 138) and in paragraph 3 of its Summary Judgment (Rp 3).

3) The District Court erred in holding the patent-in-suit* invalid for non-invention or lack of invention over the prior-art,

as it did in paragraph 2 of its Memorandum Decision (Rp 129) and in paragraph 4 of its Conclusions of Law (Rp 138) and in paragraph 4 of its Summary Judgment (Rp 141).

4) The District Court erred in holding the patent in suit* invalid as “anticipated by prior structures, patents and publications”,

as it did in paragraph 5 of its Conclusions of Law (Rp 139) and paragraph 5 of its Summary Judgment (Rp 141).

(“anticipation” not having been made a basis of any motion nor of any Finding of Fact.)

5) The District Court erred in its Finding of Fact No. 4 (Rp 134) in saying that

“plaintiff admits . . . that the elements described and claimed in the patent in suit No. 1,909,537 are individually old and were well known more than two years prior to the filing date of the patent in suit”,

because, as will be seen from a comparison of plaintiff’s responses or answers (Rpp 49-53) to defendants’ Requests for Admissions (Rpp 38-48), plaintiff did not admit, but indeed denied, for instance, that the inclined automobile stallways or car-aiming ramps of the patent-in-suit or that the abutments at the front portions of such stallways, were old.

6) The District Court erred in *finding* (in its Finding of Fact No. 4, at Rp 134)

“that the elements described and claimed in the patent in suit No. 1,909,537 are individually old and

* namely, claims 2, 4, 5, 6, 10, 15, 16 & 19 thereof, in issue

were well known more than two years prior to the filing date of the patent in suit”

because not all of the individual elements described and claimed in the patent-in-suit were old.

7) The District Court erred in its Finding of Fact No. 5 (Rp 135) that

“more than two years prior to the filing of the patent in suit it was customary to use inclined or sloping floors in theatres”;—

if by such finding the District Court meant to find that the rearwardly inclined car-aiming ramps of the patent-in-suit had any antecedent in the prior-art, because nowhere in any theatre structure of the prior-art of record are the spectator-supporting surfaces rearwardly inclined or indeed inclined at all;—the successive chair-supporting stepped terraces of the prior patents (Rpp 166 & 250) being each individually horizontal and not inclined either forwardly or rearwardly, and, as the record shows, the patent-in-suit is the first to disclose rearwardly inclined stepped spectator-supporting surfaces or indeed any successive series of *stepped* and *inclined* spectator-supporting surfaces.

8) The District Court erred in its Finding of Fact No. 4 (Rp 134) that there is no invention in the combination of elements constituting the drive-in theatre of the patent-in-suit.

9) The District Court erred in its Finding of Fact No. 5 (Rp 135), if such finding was intended as a finding that *the drive-in theatre of the patent-in-suit* is merely

“the adoption of the teachings of the prior-art and normal theatre construction to a theatre wherein spectators sit on seats in an automobile instead of seats directly on the floor or ground”,

and/or if it was intended as a finding that

“it is within the skill of anyone who puts his mind on the problem”

to bring into being *the drive-in theatre of the patent-in-suit*, and/or if it was intended as a finding that *the drive-in theatre of the patent-in-suit* was merely

“the selection and aggroupment of old elements for substantially the same purpose”,

and/or if it was intended as a finding that to bring together the combination of elements constituting *the drive-in theatre of the patent-in-suit*

“would readily occur to anyone skilled in the art of construction without exercise of the faculty of invention”.

10) The District Court erred in its Finding of Fact No 6 (Rp 135), because the very general statements made therein in respect to various items of prior-art are not relevant and are inapplicable to the drive-in theatre of the patent-in-suit;—the elements of the prior-art referred to having an entirely different meaning, significance and relationship than the elements of the drive-in theatre of the patent-in-suit.

11) The District Court erred in its Finding of Fact No. 7 (Rp 136), because claims of the patent-in-suit are sufficiently definite and sufficiently comply with the requirements of 35 USC 33 in respect to claims, because the words and language used in the claims of the patent-in-suit are definite enough to the minds of those skilled in the art, when accorded the meaning given such words and language by the specification and drawings of the patent-in-suit.

12) The District Court erred in its Conclusion No. 7 (Rp 139), because the claims of the patent-in-suit are sufficiently definite and sufficiently conform to the requirements of 35 USC 33, and such claims are not void and invalid on the grounds that functional language has been used therein, nor on the ground that they are indefinite or not conforming to 35 U.S.C. 33.

13) The District Court erred in its Finding of Fact No. 8 (Rp 137), because the patent-in-suit contains an ade-

quate disclosure of the drive-in theatre and how to construct the same, and neither the specification, drawings nor claims of the patent-in-suit are indefinite, because neither the specification, drawings nor claims of a patent need state or show dimensions or actual sizes of the parts.

14) The District Court erred in its Finding of Fact No. 9 (Rp 137), because the language of the claims is adequate and sufficiently definite within the meaning of 35 USC 33, when such claim-language is read in conjunction with the specification and drawings of the patent, namely, when the words and phrases used in the claims are accorded the meaning given them by the specification and drawings of the patent.

15) The District Court erred in paragraph 6 of its Summary Judgment (Rp 141), in adjudging the claims of the patent-in-suit "void and invalid for the reason that they fail to define and claim the purported invention in such full, clear, concise and exact terms as are required by 35 USC 33".

16) The District Court erred in paragraph 7 of its Summary Judgment (Rp 142), in adjudging that the claims of the patent-in-suit "are void and invalid in that functional language has been used and the claims are indefinite and do not conform to the requirements of 35 USC 33".

17) The District Court erred in its Finding of Fact No. 10 (Rp 138), because the affidavits filed by plaintiff in opposition to the Motion for Summary Judgment are not mostly on information and belief but are mostly on personal knowledge and refer entirely to relevant matters and do contradict the inferences and conclusions which defendants and the District Court have drawn from the disclosures of the prior patents.

18) The District Court erred in its Finding of Fact No. 11 (Rp 138), because neither the pleadings, interrogatories, answers thereto, requests for admissions and admissions thereto, nor the objections, motions for extensions

of time nor any other papers on file indicate that the action was brought upon surmise or suspicion or that plaintiff deliberately delayed the proceedings, and because the record before the District Court does not in any way support Finding No. 11.

19) The District Court erred in its Conclusion No. 8 (Rp 139), because infringement was not an issue before the Court.

20) The District Court erred in its Conclusion No. 9 (Rp 139) that the Complaint should be dismissed.

21) The District Court erred in its Conclusion No. 9 (Rp 139) (a) that defendants shall recover from plaintiff their reasonable attorneys' fees and (b) that \$3,400.00 is a reasonable attorneys' fees in this matter.

22) The District Court erred in failing clearly to state (either in its Memorandum, Findings, Conclusions or Judgment) the basis upon which attorneys' fees were awarded, as required, inter alia, by this Court's decision in *Dubil et al vs. Rayford Camp & Co.* F.2d ; 87 USPQ 143, 146 (October 18, 1950).

23) The District Court erred in not according plaintiff an opportunity to inquire into and introduce evidence in respect to propriety of an award of attorneys' fees, per se, and as to the reasonableness of the unitemized lump-sum claimed and awarded.

24) The District Court erred in its Summary Judgment, in dismissing the Complaint with prejudice and in awarding attorneys' fees.

25) The District Court erred in not according plaintiff the right of trial by jury of the fact-questions of (a) invention over the prior-art, and (b) adequacy of disclosure of the patent-in-suit.

26) The District Court erred in deciding disputed fact-questions upon a motion for summary judgment.

Summary of Argument

Argument-Point 1: Summary judgment not grantable on disputed facts

1-a: Defendants' motions raised disputed questions of fact going to the validity of patent, and such disputed fact-questions should not be decided on Motion for Summary Judgment, and controverted opinion-affidavit of defendants' attorney can not be the basis of a determination of such disputed fact-questions.

1-b: Summary Judgment should not be granted in a jury case unless all underlying facts necessary to sustain such judgment are undisputed and so inescapably compel the inferences and conclusions necessary to sustain the judgment that it can be foreseen with certainty that a directed verdict in favor of the movant would be inevitable upon a trial and that any testimony of witnesses and/or other evidence which plaintiff might produce upon a trial could not possibly alter the end-result.

1-c: The fact-questions raised by defendants' Motion for Summary Judgment are *not* so clearly resolved in favor of defendants, *by the record*, as to require the Court to hold or justify the Court in holding the patent-in-suit invalid and, on the contrary, are so clearly resolved in favor of plaintiff, *by the record*, as to require the Court to hold the patent-in-suit valid *on the record made on the Motion for Summary Judgment*.

Frederick Hart & Co. vs. Recordgraph Corp., 169

F.2d 580, 581 (CCA 3)

Bowers vs. E. J. Rose Mfg. Co., 149 F.2d 612, 615,

616 (CCA-9)

E. W. Bliss Co. vs. Cold Metal Process Co., 47

F.Supp. 897, 899 (DC ND Ohio)

Weil vs. N. J. Richman Co., 34 F.Supp. 401, 402

(DC SD NY)

Van Wormer vs. Champion Paper & Fibre Co., 28

F.Supp. 813, 815 (DC SD Ohio)

- Refractolite Corp. vs. Prismo Holding Corp.*, 25
F.Supp. 965 (DC SD NY)
Faulkner vs. Gibbs, 170 F.2d 34, 37 (CA-9)
Pointer vs. Six Wheel Corp., 177 F.2d 153, 159
(CA-9)
Bischoff vs. Weathered, 76 U.S. 812, 19 L.Ed. 829,
830
Thomson Spot Welder Co. vs. Ford Motor Co., 265
U.S. 445, 446, 68 L.Ed. 1098, 1100

Argument-Point 2:

District Court may not hold patent invalid on any of the grounds of defendants' motions, without having such patent before it.

- Park-In Theatres, Inc. vs. Waters et al* F.2d
(87 USPQ 291, 293) CA-5, decided No-
vember 14, 1950

Argument-Point 3:

Lowe's decision not *in rem* nor *res judicata*.

Decision of 1st Circuit, in *Loew's vs. Park-In* (174 F.2d 547) holding patent-in-suit invalid, is *not* a decision *in rem* and does *not* have the force of *res judicata*, and denial of certiorari in respect thereto does not imply its approval by the Supreme Court, and plaintiff entitled to trial on the merits in the case at bar against different defendants.

- Triplett vs. Lowell* 297 U.S. 638, 642, 645
Maytag Co. vs. Hurley Machine Co. 307 U.S. 243,
245
Park-In Theatres, Inc. vs. Waters et al, F.2d
(87 USPQ 291, 293) CA-5, decided No-
vember 14, 1950
Arnstein vs. Porter 154 F.2d 464, 475 (CCA 2)
Jungersen vs. Ostby and Barton Co. 335 U.S. 560
Mandel Bros. vs. Wallace 335 U.S. 291
United States vs. Carver 260 U.S. 482, 490; 67
L.Ed. 361, 364
Atlantic Coast Line Railroad Co. vs. Powe 283 U.S.
401, 403-4; 75 L.Ed 1142, 1143

Argument-Point 4:

Conflict between 1st Circuit and this Court.

First Circuit's decision, *in effect* holding plaintiff's patent-in-suit invalid *on its face* for lack of patentable invention, namely, *without reliance upon any prior art*, is believed to be in conflict with the prior decision of this Court holding same patent presumptively valid and holding that it can not be held invalid for lack of invention on its face on a motion for summary judgment;—and District Court's decision at bar is erroneous in that it follows First Circuit instead of following this Court's earlier decision on same patent.

Park-In Theatres, Inc. vs. Rogers, 130 F.2d 745 (CA-9)

Loew's Drive-In Theatres, Inc. vs. Park-In Theatres, Inc. 174 F.2d 547 (CA-1)

Philad vs. Vanatta, 28 F.Supp. 539, 540 (DC SD Cal), appeal dismissed 109 F.2d 1022 (CA-9)

Appelton Toy & Furniture Co. vs. Lehman Co., 165 F.2d 801, 802 (CA-7)

Argument-Point 5:

“Anticipation” not having been made a ground or basis of defendants' motion, summary judgment could not be based upon “anticipation”;—and patent-in-suit *not* “anticipated” by prior art: Rule 7-b(1).

In re Long Island Properties Inc., 125 F.2d 206, 207 (CCA-2)

Steingut et al vs. National City Bank, 36 F.Supp. 486, 487 (DC ED NY)

Advertisers Exchange Inc. vs. Bayless Drug Store, Inc. 3 F.R.D. 178 (DC NJ)

Argument-Point 6:

Patent-in-suit *not* invalid for “non-invention” *on its face* (namely, without reliance upon any prior-art).

Park-In Theatres, Inc. vs. Rogers, 130 F.2d 745 (CA-9)

Argument-Point 7:

7-a: Patent-in-suit not invalid, as a matter of law, for lack of invention over the prior-art, upon the record made on defendants' Motion for Summary Judgment.

Webster vs. Higgins 105 U.S. 580

Payne vs. Williams 117 F.2d 823 (CA-9)

Diamond vs. Consolidated 220 U.S. 428

Goodyear vs. Ray-O-Vac 321 U.S. 275

7-b: The patent-in-suit is presumptively valid, and defendants have not overcome said presumption in the showing made by them on their Motion for Summary Judgment.

Park-In Theatres, Inc. vs. Rogers 130 F.2d 745
(CCA-9)

7-c: The claims of patent-in-suit are for a novel *combination* achieving a new end-result, and such combination is different from and not suggested by the prior-art, and these claims are not invalid in view of prior-art, on the record made on defendants' motion.

Webster vs. Higgins 105 U.S. 580

Pointer vs. Six Wheel Corp. 177 F.2d 153 (CA-9)

Atlantic vs. Berry 106 F.2d 644 (CA-3)

Argument-Point 8:

Patent satisfies requirements of 35 U.S.C. 33.

8-a: Patent-in-suit contains an adequate disclosure within the purview of 35 U.S.C. 33.

General Electric vs. Nitro 166 Fed. 994 (CA-2)

Suczek vs. General Motors 35 F.Supp. 806 (Mich.)

Robertson vs. Klauer 98 F.2d 150 (CA-8)

Shull vs. Cavins 94 F.2d 357 (CA-9)

Payne vs. Williams 117 F.2d 823 (CA-9)

Goodman vs. Hawkinson 120 F.2d 167 (CA-9)

8-b: Claims of patent-in-suit are sufficiently definite within the purview of 35 U.S.C. 33.

Robertson vs. Klauer 98 F.2d 150 (CA-8)

Bradley vs. Great Atlantic 78 F.Supp. 388 (Mich.)

Excel vs. Bishop 167 F.2d 962 (CA-6)
Peckat vs. Jacobs 178 F.2d 794 (CA-7)
Faulkner vs. Gibbs 338 U.S. 267
Faulkner vs. Gibbs 170 F.2d 34 (CA-9)

Argument-Point 9:

Attorneys' fees unwarranted by record.

9-a: Record before District Court on defendants' Motion for Summary Judgment does not justify any award of attorneys' fees under 35 U.S.C. 70.

Associated vs. Gits 182 F.2d 1000 (CA-7)
Phillips vs. Esso—F.Supp.—(85 PQ 128)
Hall vs. Keller 81 F.Supp. 836 (Pa.)
Barili vs. Bianchi 168 F.2d 793 (CA-9)
Scott vs. Lasticnit—F.Supp.—(83 PQ 447)
Lincoln vs. Linde 74 F.Supp. 293
Dixie vs. Paper Container 174 F.2d 834 (CA-7)
Sales Affiliates vs. National 172 F.2d 608 (CA-7)
Cowles vs. Frost 77 F.Supp 124 (N. Y.)
National vs. Michigan 75 F.Supp. 140 (Mich.)
Union vs. Superior 9 F.R.D. 117 (Pa.)

9-b: District Court neither found nor stated the basis of its award of attorneys' fees, and failure clearly to find and state the basis of the award of attorneys' fees, *in and of itself*, requires reversal of the award of attorneys' fees.

Dubil vs. Rayford—F.2d—; CA-9 (87 PQ 143)
Hall vs. Keller 81 F.Supp. 836 (Pa.)

9-c: Record before District Court does not establish that \$3,400.00 awarded as attorneys' fees was *reasonable*.

Hall vs. Keller 81 F.Supp. 836 (Pa.)
Falkenberg vs. Bernard—F.Supp.—(85 PQ 127)
Excel vs. Bishop 86 F.Supp. 880
Brennan vs. Hawley 82 PQ 92 (Ill.)
Heston vs. Kuhlke 81 F.Supp. 913 (Ohio)
Water Hammer vs. Tower 7 F.R.D. 620 (Wis.)
Juniper vs. Landenberger 76 PQ 300 (Pa.)

Argument

Argument of Point 1: Summary judgment of patent-invalidity “for lack of novelty and invention” or “for lack of invention over the prior-art” (or on any of the other grounds of defendants’ motions) cannot properly be rendered on the basis of the fully controverted opinion-affidavit of defendants’ attorney going to well-pleaded facts

The Complaint (Rp 3-4) alleges that the drive-in theatre of the patent-in-suit “was entirely unknown and unanticipated in the United States, or elsewhere, prior to the time when R. M. Hollingshead, Jr. invented such drive-in theatre, and such invention by Richard M. Hollingshead, Jr. constituted and now constitutes an original inventive contribution of great value and benefit to the public at large, and the public has recognized the merit of said invention by patronizing, to an ever increasing extent, the drive-in theatres embodying such invention, many of which have been built and constructed and used throughout the United States, solely and directly as a result of said invention having been made by Richard M. Hollingshead, Jr. and having thus been made available to the public.”

Against these well-pleaded facts and the presumption flowing from the issuance of the patent that the drive-in theatre of the patent-in-suit was new, useful and involved invention, defendants tendered nothing but a batch of admittedly non-anticipatory* prior patents and publications, not one of which even suggests a drive-in theatre, as such structures have come to be known throughout the United States since and as a result of Hollingshead’s first drive-in theatre of the patent-in-suit built in Camden, N. J. in 1933 (Rpp 258, 262, 266, 269, 272 and 273).

This batch of admittedly non-anticipatory (and, we submit, irrelevant) prior patents and publications is attempted to be buttressed only by the opinion-affidavit (Rpp 95-103) of defendants’ attorney who has not stated any qualifications as an expert in the art, setting forth

his arguments as to the disclosures and significance of the prior-art (and as to the adequacy of the disclosure of the patent-in-suit). This moving opinion-affidavit is fully controverted in all respects by the answering Taylor² (Rpp 106-114 & 75) and Boyle³ (Rpp 115-128) affidavits which compel entirely different findings and conclusions as to the nature, extent and true significance of the admittedly non-anticipatory prior-art disclosures, and which clearly dispute the material fact-issues raised by defendants' motions as to invention over the prior-art (and also as to the adequacy of disclosure of the patent-in-suit⁴) and such fact-issues should be resolved by the court or jury upon a trial and not upon a motion for summary judgment.

Thus, it is well settled that, on motion for summary judgment, the sole purpose of affidavits is to establish *whether* an issue of fact exists and *not* to resolve that issue, if it does exist. As stated in *Frederick Hart & Co. vs. Recordgraph Corp.*, 169 F.2d 580, 581 (CCA 3):

“It is well-settled that on motions to dismiss and for summary judgment, affidavits filed in their support may be considered for the purpose of ascertaining whether an issue of fact is presented, but they cannot be used as a basis for deciding the fact issue. An affidavit cannot be treated, for purposes of the motion to dismiss, as proof contradictory to well-pleaded facts in the complaint. (citing cases)

“It is also well-settled that on a motion to dismiss the complaint must be viewed in the light most favorable to the plaintiff and that the complaint should not be dismissed unless it appears to a certainty that the plaintiff would not be entitled to relief under any state of facts which could be proved in support of his claim; further, no matter how likely it may seem that the pleader will be unable to prove his

² see pages 11 to 13, *supra*

³ see page 13, *supra*

⁴ i. e. whether the patent-in-suit contained a disclosure of the drive-in theatre in suit sufficient to enable those skilled in the art to build such drive-in theatres

case, he is entitled, upon averring a claim, to an opportunity to try to prove it. (citing cases)''

The principle applies with even greater force in patent cases. Thus, in *Bowers vs. E. J. Rose Mfg. Co.*, 149 F.2d 612, 615, 616 (CCA-9), this Court had before it a case virtually identical with the case at bar, upon the facts. In the *Bowers* case, the District Court (for the Southern District of California, Central Division) had granted summary judgment holding the patent there in suit invalid;—based, in part, upon the affidavits of defendant and defendant's attorney stating their belief that the patent was invalid. In the *Bowers* case, supra, plaintiff's attorney filed an answering affidavit expressing his contrary opinion as to the prior patents.

In holding that the grant of summary judgment was improper upon these conflicting affidavits, this Court, in the *Bowers* case, supra, stated:

“In part the motion was based on the inferences of fact which the Fischers sought to have the court draw from three affidavits.

“So far as the judgment may have been based upon the conflicting affidavits, we are of the opinion that in a patent case the tender of an affidavit of the opinion of an expert on prior patents, met by a similar opposing affidavit, does not convert it from an ordinary trial upon the testimony of witnesses subject to cross-examination to a trial on affidavits.

“Here the affidavits of fact are so in opposition that there is a ‘genuine issue as to a material fact,’ and hence no warrant for a summary judgment within Rule 56(b) and (c) of the Federal Rules of Civil Procedure.”

As mentioned above and as more fully brought out in the Boyle affidavit (Rpp 120-121) the invention of the patent-in-suit has proven to be of the greatest importance and has, in fact, been the basis for the multi-million-dollar outdoor motion-picture theatre industry.

As stated in *E. W. Bliss Co. vs. Cold Metal Process Co.*, 47 F.Supp. 897, 899 (DC ND Ohio) :

“It seems to be the accepted rule that claims covering important inventions will not be struck down by summary judgment where the parties have not agreed on the facts or have not both moved for summary judgment.”

See, also, to like effect; *Weil vs. Richman Co.*, 34 F.Supp. 401, 402 (DC SD NY); *VanWormer vs. Champion*, 28 F.Supp. 813, 815 (DC SD Ohio); *Refractolite vs. Prismo*, 25 F.Supp. 965 (DC SD NY); *Sarnoff vs. Ciaglia*, 165 F.2d 167 (CA-3); *Doehler vs. U.S.*, 149 F.2d 130, 135 (CA-2) and *Hazeltine vs. G.E.*, 183 F.2d 3 (CA-7).

It is well settled that invention is a question of *fact*. *Faulkner vs. Gibbs*, 170 F.2d 34 (CA-9) *affi'd* 338 U.S. 267 *Pointer vs. Six Wheel Corp.*, 177 F.2d 153 (CA-9)

And where, as here, there was a timely demand for trial by jury, it is the function of the jury, as the sole trier of the facts, to decide that question.

Bischoff vs. Weathered, 76 U. S. 812; 19 L.Ed. 829, 830 *Thomson vs. Ford*, 265 U.S. 445, 446

Accordingly, it is clear that the District Court erred in deciding the fact-question of invention* solely on the basis of the controverted opinion-affidavit of defendants' attorney going to the well pleaded fact-question of invention which should have been resolved by the court or jury upon a full trial wherein all the evidence, *pro* and *con*, on that question should have been considered. Hence, the Judgment should be reversed.

Argument of Point 2: Patent can't be held invalid, without the patent being before the Court

In view of the fact that the patent-in-suit was not before the Court on defendant's Motions, it was manifestly

*and/or the *fact-question* of the adequacy of the disclosure (grounds 3 & 4 of the District Court's Memorandum Decision at Rp 129), namely whether the patent-in-suit was sufficient to teach those skilled in the art, how to build drive-in theatres of the patent-in-suit

impossible for the District Court to have made any independent determination of the validity of the patent-in-suit in respect to any of the grounds of defendants' motions. Thus, how could the Court have compared the patent-in-suit with the prior-art either to see if the patent-in-suit was "anticipated" or whether (though unanticipated) it did or did not involve invention over the prior-art, or whether its disclosure was inadequate and/or its claims indefinite? The Court could make no determination of any of these defensive matters.

The District Court seemingly relied solely upon the decision of the First Circuit in the *Loew's case*, as though it were a decision *in rem* or as though it had the force of *res judicata*, as pointed out under *Argument-Point 3* hereinbelow.

That summary judgment of patent-invalidity may not be rendered without patent being before the Court, was decided in *Park-In Theatres Inc. vs. Waters et al.*—F.2d—(87 USPQ 291, 293) CA-5 (decided November 14, 1950):

“. . . the trial Court made no independent determination of the validity of the patent in suit. Such a determination was manifestly not made in ruling upon the motion to dismiss the complaint, for it clearly appears that the provisions and claims of the patent in suit were not before the Court and therefore not available upon motion for adjudication of their validity and effect.”

“We conclude that this case should be remanded to the trial Court for further proceedings to afford opportunity for development of the issues involved.”

It is therefore respectfully submitted that the summary judgment must be reversed for the further reason that in the case at bar (as in the case last above cited) the District Court did not have the patent before it and hence could not make an independent determination of any of the matters tendered by the motions upon which the judgment was entered.

Argument of Point 3: First Circuit's decision is not one in rem nor one having the force res judicata, and plaintiff entitled to independent trial on fact-question of invention (and on all other fact-questions raised by the defenses relied on)

It is apparent from the District Court's Memorandum Decision (Rpp 129-30) that defendants' motion for summary judgment was granted primarily (if not, indeed, solely) because of the First Circuit's decision in *Loew's vs. Park-In, supra*. Thus, paragraph (1) of the aforesaid Memorandum Decision states that the "Patent in suit is invalid for the reason stated by the United States Court of Appeals for the First Circuit, 174 F.2d 547".

As more or less subsidiary grounds (if grounds, indeed), the Memorandum Decision also adopts *ground 2* of defendants' Motion to Dismiss and Motion for Summary Judgment (i.e. lack of invention over the prior-art) without referring to any prior-art, and adopts grounds 3 & 4 of defendants' Motion for Summary Judgment (i.e., ground 3: inadequacy of disclosure and ground 4: indefiniteness of claims).

Of course, the Findings of Fact and Conclusions of Law (Rpp 133-140) which were drafted by defendants' counsel and which were adopted substantially verbatim by the District Court, after overruling (Rpp 132-133) plaintiff's several objections thereto (Rpp 130-132), refer to some of the "prior-art" *as though* the District Court had compared these prior patents and publications with the patent-in-suit in deciding that the subject-matter defined by the claims of plaintiff's patent-in-suit did not involve invention over the prior-art.

The Summary Judgment and Decree (Rpp 140-142) was also drafted by defendants' attorney and is open to the same objections.

The simple fact is, however, that, as pointed out above, defendants did not even bother to introduce in evidence* the patent-in-suit, on or in support of either of their Motions, so that the patent-in-suit was not before

* either by filing a copy thereof or by attaching a copy thereof to an affidavit, or otherwise

the District Court for consideration by it in connection with any of the grounds of defendants' Motions, much less for its comparison with the prior-art.

That the District Court erred in refusing to make any independent determination of the fact-questions of invention (and/or of the adequacy of disclosure, etc.) raised by defendants' motion, is clearly established by the controlling authorities.

Thus, in *Triplett vs. Lowell* 297 U.S. 638, 642, 645; 80 L.Ed. 949, 952, 954, the Supreme Court held:

“Neither reason nor authority supports the contention that an adjudication adverse to any or all the claims of a patent precludes another suit upon the same claims against a different defendant. While the earlier decision may by comity be given great weight in a later litigation and thus persuade the court to render a like decree, it is not *res adjudicata* and may not be pleaded as a defense.

“The court whose jurisdiction is invoked by such a suit *must* determine for itself validity and ownership of the claims asserted, notwithstanding a prior adjudication of invalidity of some of them, unless those issues have become *res adjudicata*, by reason of the fact that both suits are between the same parties or their privies.”

See also to like effect *Maytag Co. vs. Hurley Machine Co.* 307 U.S. 243, 245; 83 L.Ed. 1264, 1265.

In its decision (of November 14, 1950) reversing summary judgment which held the patent here in suit invalid for lack of invention in reliance upon the 1st Circuit's decision in the *Loew's case*, the Court of Appeals for the 5th Circuit, in *Park-In Theatres, Inc. vs. Waters et al.*,—F.2d—(87 USPQ 291, 293) said:

“It is thus clear that the Court of necessity gave to the ruling in the reported case, to all practical effects, the binding force of *res adjudicata*. But that proceeding, involving different defendants, did not have any such controlling force. ‘Neither reason or au-

thority supports the contention that an adjudication adverse to any or all the claims of a patent precludes another suit upon the same claims against a different defendant. While the earlier decisions may by comity be given great weight in a later litigation and thus persuade the Court to render a like decree, it is not *res adjudicata* and may not be pleaded as a defense.' *Triplett v. Lowell*, 297 U.S. 638, 642."

"We conclude that this case should be remanded to the trial Court for further proceedings to afford opportunity for development of the issues involved."

That a Court should not permit itself to be swayed by a defeat suffered by plaintiff in previous litigation, in the absence of *res judicata*, is well pointed out in *Arnstein vs. Porter* 154 F.2d 464, 475 (CCA 2) wherein the Court, in reversing the District Court's action granting summary judgment in defendant's favor (in a suit for copyright infringement) stated:

" . . . we regard it as entirely improper to give any weight to other actions lost by plaintiff. Although, as stated above, the judge in his opinion, except as to one of the previous actions, did not say that he rested his decision, on those other suits, the language of his final judgment order indicates that he was probably affected by them. If so, he erred. Absent the factors which make up *res judicata* (not present here), each case must stand on its own bottom, subject, of course, to the doctrine of *stare decisis*. Succumbing to the temptation to consider other defeats suffered by a party may lead a Court astray; see, e.g., *Southern Pacific Co. v. Bogert*, 250 U.S. 483, 489; 63 L.Ed 1099, note 1."

Indeed, the principal (though not unfailing) ground for granting certiorari in patent cases, is a conflict between Circuits as to the validity of the patent. See, for example, *Jungersen vs. Ostby and Barton Co.* 335 U.S. 560, and *Mandel Bros. vs. Wallace* 335 U.S. 291.

If the reasoning of the District Court, in the case at bar, were correct, there could never be a conflict of

decisions to justify the grant of certiorari because District Courts in *all* Circuits would be bound to follow the first decision of *any* Court of Appeals.

Of course, the denial of certiorari with respect to the First Circuit's decision in *Loew's vs. Park-In*, did not constitute an affirmance or approval of the Court of Appeals' decision and did not, in any way, add to the force and effect of that decision nor render it conclusive or binding in the case at bar, involving a different defendant *not* in privity with the defendant in the First Circuit;—nor did such denial constitute any implied interpretation as to the meaning or scope of the First Circuit's decision.

Thus, as stated by Mr. Justice Holmes in *United States vs. Carver* 260 U.S. 482, 490; 67 L.Ed 361, 364:

“The denial of a writ of certiorari imports no expression of opinion upon the merits of the case, as the bar has been told many times.”

See also to like effect *Atlantic Coast Line Railroad Co. vs. Powe* 283 U.S. 401, 403-4; 75 L.Ed 1142, 1143.

In conclusion it is therefore respectfully submitted that the foregoing authorities required an independent adjudication of patent-in-suit, by the lower Court, which duty, in the case at bar, was even more obvious and explicit, in view of this Court's prior admonition in *Park-In vs. Rogers, supra*, against holding the patent here in suit invalid on summary judgment.

Argument of Point 4: Apparent conflict between First Circuit in *Loew's vs. Park-In* and this Court in *Park-In vs. Rogers* and lower court's failure to follow this Court on motion for summary judgment

In the *Loew's* case, there had been *an extensive trial and record* in the District Court, upon the basis of which the District Court had made its fact-finding that the drive-in theatre structure of the patent-in-suit was unanticipated, was ingenious and involved invention over the prior-art, and concluded that the patent-in-suit was valid (70 F.Supp. 880).

However, the First Circuit's decision does not cite or rely upon a single prior patent, publication or prior-use as supporting its fact-finding or conclusion of non-invention.

In ignoring the prior-art and other evidence offered in the District Court by plaintiff and by defendant, respectively, on the question of invention, the First Circuit seemingly ruled that the Hollingshead patent was invalid for lack of invention, *on its face*, namely, *without reliance upon any prior-art**.

This was seemingly recognized by defendants' attorney, in his Motion to Dismiss (Rpp 75-82) at bar, wherein he said:

“ . . . the Court of Appeals (for the First Circuit) did not specifically refer to prior-patents in support of its holding of invalidity”,

and wherein defendants' attorney then cited

“prior patents *which support this decision* (of the First Circuit’);—

without as much as saying whether any of the prior patents or prior-art cited by defendants at bar was or was not of record in the *Loew's case*, or what the testimony of the witnesses was in the *Loew's case* in regard to such prior patents and prior-art.

Seemingly in direct conflict with the First Circuit's ruling is the spirit, if not indeed the letter, of the decision of this Court in *Park-In vs. Rogers* (130 F.2d 745) wherein this Court *reversed* and set aside the action of the District Court which had granted summary judgment against the patent, here in suit, on the ground, *inter alia*, that the drive-in theatre structure of the patent-in-suit did not involve invention on its face (and also did not come within a patentable category).

The Transcript of Record in the case of *Park-In vs. Rogers*, Appeal No. 9893, decided by this Court on Sep-

* as pointed out on page 4, *supra*, it was apparently defendants' position on *ground 1* of their Motion to Dismiss as well as on *ground 1* of their Motion for Summary Judgment, that the First Circuit's decision did hold the patent-in-suit invalid for lack of invention on its face

tember 14, 1942 (130 F.2d 745) shows that the defendant *Rogers* in that case based his Motion for Summary Judgment upon four grounds, including the ground of want of invention or non-invention *on the face of the patent*. Thus, *Rogers'* Motion for Summary Judgment stated the grounds thereof as follows, as will be seen on page 22 of the Transcript of Record on *Rogers'* Appeal No. 9893:

“That the patent sued on by plaintiff herein is invalid **on its face** for

- (a) Want of patentable subject matter
- (b) Want of patentable combination (aggregation)
- (c) **Want of invention**
- (d) Undue multiplicity of claims.”

In the *Rogers* case, the District Court apparently adopted two of *Rogers'* above-quoted grounds, namely, grounds “a” and “c”, as will be seen both from the District Court’s *Memorandum of Conclusions* on page 37 and from its *Findings of Fact* on page 39 and from its *Conclusion of Law* on page 40 of the aforesaid Transcript of Record on *Rogers'* Appeal No. 9893. Thus, in its *Memorandum of Conclusions*, filed February 19, 1941, on page 37 of the Transcript of Record on *Rogers'* Appeal No. 9893, the District Court said:

“That said invention does not constitute a manufacture, machine or composition of matter, or any improvement thereof”

“and”

“that the same **does not constitute a patentable improvement** within the meaning of the provisions of Title 35 U.S.C.A. Section 31”;—

these two statements corresponding to parts “a” and “c”, respectively, of *Rogers'* above-quoted grounds of motion.

Thus, in the *Rogers* case, the District Court not only held that the drive-in theatre was not patentable subject matter (namely, that a drive-in theatre was not an *art, manufacture, machine or composition of matter*), but also

expressly held that the drive-in theatre of the patent-in-suit does not constitute a patentable improvement within the meaning of 35 U.S.C. 31, *namely, that it did not involve invention, on its face.*

To like effect was the District Court's Findings of Fact in the *Rogers* case, as appears from page 39 of the aforesaid Transcript of Record on *Rogers'* Appeal No. 9893, paragraph 4, of which the District Court found that "The subject matter of the patent claims in suit does not constitute an art, machine, manufacture, or composition of matter"

or

"any new or useful improvements thereof".

To like effect are the District Court's Conclusions of Law in the *Rogers* case as seen from page 40 of the aforesaid Transcript of Record on *Rogers'* Appeal No. 9893, wherein the District Court said:

"2. The patent in suit, No. 1,909,537, as to claims 1, 2, 5, 9, 10, 11, 12, 13, 14, and 15, is invalid in law because the subject matter thereof does not constitute patentable subject matter within the meaning of the provisions of 35 U.S.C.A. Section 31."

"3. The patent in suit No. 1,909,537, as to claims 1, 2, 5, 9, 10, 11, 12, 13, 14, and 15, is invalid in law because **the subject matter thereof does not constitute a patentable invention** or improvement within the meaning of 35 U.S.C.A. Section 31."

The foregoing was recognized by this Court in its aforesaid decision in the *Rogers* case at 130 F.2d 745, 746, wherein this Court made reference to the fact that *Rogers'* motion for summary judgment *was* based on the ground, inter alia, that "*the patent was void on its face for . . . want of invention . . .*" and to the fact that the District Court "*made findings of fact and found that the patent, as to claims in suit . . . (was not for) any new and useful improvement . . . and dismissed the complaint on the ground that . . . the invention was not a patentable invention or improvement within the meaning of 35 U.S.C.A. § 31, 46 Stat. 376*" (130 F.2d 746).

While of course in the *Rogers* case, this Court could not *affirmatively* hold that the drive-in theatre of the patent-in-suit involved invention, because the prior-art had not been developed nor had plaintiff had an opportunity to introduce evidence in support of the presumptive inventiveness of such drive-in theatre, nevertheless, this Court *did* reverse the District Court's aforesaid findings, conclusions and judgment *in their entirety*, and therefore by necessary implication (if not indeed expressly) this Court held that the Hollingshead patent here in suit could *not* be held invalid for lack of invention on its face on a motion for summary judgment;—this Court saying in the *Rogers* case:

“The issuance of the patent is presumptive evidence of invention and patentability. The presumption is so strong that in the event of a reasonable doubt as to patentability or invention that doubt must be resolved in favor of the validity of the patent. *Mumm vs. Jacob E. Decker & Sons*, 301 U.S. 168, 171, 57 S.Ct. 675, 81 L.Ed. 983. See also *Frank v. Western Electric Co.*, 2 Cir., 24 F.2d 642, 645. The lower court confines its conclusions to the proposition that the theatre was not a patentable subject and, consequently, did not consider the questions of invention, utility, etc. Upon the latter issues the patentee has the right to fortify the presumption of validity of the patent by proof of matters tending to show that the conception of the patentee involved invention and utility.

“The appellee suggests that if the decree of the lower court can be sustained on any ground going to the insufficiency of the complaint the judgment should be affirmed. This position cannot be sustained because neither the court below nor this court had the advantage of such additional light as it is permissible in a patent case upon the questions of invention, priority, etc.” (130 F.2d 747-8)

The foregoing is, we believe, and submit, a clear statement by this Court that the patent-in-suit should

not be declared invalid on a motion for summary judgment and that, instead, it can be held invalid, *if at all*, only following a trial during which both sides are given ample opportunity to adduce evidence on the prior-art and the various facts affecting the question of invention, so that the trier of the facts (here the jury and *not* the District Judge) can reach a considered decision in the light of evidence bearing on the question of invention.

We believe, and submit, that this Court's above-quoted statement that the

“lower Court confines its conclusions to the proposition that the theatre was not a patentable subject and, consequently, did not consider the questions of invention, utility, etc.” (130 F.2d 747-748)

was no doubt intended to indicate that the District Court did not or could not make any real determination of the questions of invention, utility, etc., or that if its Memorandum, Findings and Conclusions were intended as a determination of such questions, it did not *properly* undertake the determination of these questions because of the lack of opportunity for

“proof of matters tending to show that the conception of patentee involved invention and utility” (130 F.2d 748)

and because the District Court

“had (not) the advantage of such additional light as is permissible in a patent case upon the questions of invention, priority, etc.”. (130 F.2d 748)

Therefore we believe and submit that notwithstanding this Court's concluding statement in the *Rogers case*:

“For that reason we reverse the decision without doing more than to hold that the structure in question is within a patentable classification” (130 F.2d 748),

this Court *was* nevertheless (and necessarily) *reversing* the District Court's decision *in all respects*, including that part of the District Court's decision which undertook to

hold the patent-in-suit invalid *for lack of invention on its face*;—and all that this Court meant in the words “without doing more etc.” was that this Court could not *affirmatively* hold the patent valid on the question of invention, for lack of proof *pro* or *con* the question of invention, but that this Court nevertheless deemed the District Court *in error* in having held or undertaken to hold the patent invalid for lack of invention on its face, on a motion for summary judgment.

Hence, there is a seemingly direct conflict between the decision of this Court in the *Rogers* case and the decision of the First Circuit in the *Loew's* case, on the presumptive validity of plaintiff's Hollingshead patent here in suit and upon the propriety of invalidating the patent-in-suit for lack of invention *on its face or without reliance upon any prior art or evidence bearing upon the question of invention*.

We respectfully submit that it was not the function of the District Court to attempt to resolve that conflict.

On the contrary, the District Court should have held that on a motion for summary judgment it was bound by the prior decision of this Court in *Park-In vs. Rogers, supra*, as establishing the law of this Circuit.

In other words, while, under the authorities to be discussed hereinabove under *Argument-Point 3*, a District Court is not precluded from making an independent determination of validity, even though there has already been a ruling on the question in *another* Circuit, the District Court in a given Circuit should (*at least on a motion for summary judgment*) follow a ruling of the Court of Appeals for *that* Circuit on questions of validity, etc.

Indeed, the District Court for the Southern District of California, Central Division, has itself recognized its obligation to follow the decisions of this Court where there are conflicting decisions in other Circuits regarding the same patent. Thus, in *Philad vs. Vanatta*, 28 F.Supp. 539, 540 (DC SD Cal), appeal dismissed 109 F.2d 1022 (CCA 9), the Court stated:

“We regard this . . . decision* as in conflict with the Johnson decision in the Ninth Circuit Court of Appeals, and of course it is our plain duty to follow the latter.”

See also *Appelton Toy & Furniture Co. vs. Lehman Co.*, 165 F.2d 801, 802 (CCA-7) wherein the Court said: “Our decision . . . became binding upon District Courts *in this circuit* as to subsequent litigation on the same patent . . .”

Argument of Point 5: “Anticipation” not having been made a ground or basis of defendants’ motion, summary judgment could not be based upon “anticipation”;— and patent-in-suit not “anticipated” by prior art

The summary judgment from which the present appeal was taken, having been entered upon motion (Rpp 77-85 and 89-94), such motion, and the relief which may properly be granted thereon, is necessarily also governed by Rule 7-b(1) which reads, in part:

“An application to the court for an order shall be by *motion* . . . made in writing, *shall state with particularity the grounds therefor*, and shall set forth the relief or order sought.”

The above-quoted provision of Rule 7-b required defendants’ Motion to Dismiss (Rpp 77-85) and Motion for Summary Judgment (Rpp 89-94) to state *all* grounds upon which the summary judgment was sought and obtained, including “anticipation” which is the basis of paragraph 5 of the Summary Judgment.

It is well established, by the following authorities on this aspect of Rule 7-b(1), that relief may not be granted upon any ground not set out in the motion therefor.

In re Long Island Properties Inc., 125 F.2d 206, 207 (CCA-2)

Steingut et al vs. National City Bank, 36 F.Supp. 486, 487 (DC ED NY)

* rendered by a Court located in the Second Circuit

Advertisers Exchange Inc. vs. Bayless Drug Store, Inc., 3 F.R.D. 178 (DC NJ)

In the case at bar, neither defendants' Motion to Dismiss nor defendants' Motion for Summary Judgment, sets out or suggests, as a ground or basis for summary judgment, that the drive-in theatre structure of the patent-in-suit was "anticipated" by any item of prior-art relied upon by defendants, namely, that any item of prior-art disclosed the *same* structure or construction as that of the drive-in theatre of the patent-in-suit.

Nevertheless in *Conclusion of Law No. 5* (Rp 139) and in *paragraph 5* of the Summary Judgment (Rp 141), both drafted by defendants' counsel and adopted by the District Court, the Court concludes and adjudges that the patent-in-suit was "anticipated" by some unspecified item or items of prior-art.

Interestingly enough, however, defendants' counsel did not include any "finding of fact" (submitted to the District Court) to the effect that the drive-in theatre of the patent-in-suit was "anticipated" by any (specified or unspecified) item of prior-art. The failure of defendants' counsel to do so was no doubt due to the fact that even defendants' counsel could not pick out any item or items of prior-art on which he was willing to stand as an "anticipation" of the drive-in theatre of the patent-in-suit.

For this reason, the District Court's aforesaid *Conclusion of Law No. 5* and *paragraph No. 5* of its *Summary Judgment* are without support even in the *Findings of Fact*.

It is respectfully submitted that it was error on the part of the District Court to enter Summary Judgment of patent-invalidity on the basis of "anticipation" when such ground was not made the basis of the Motion for such Summary Judgment nor indeed ever urged by defendants in any affidavit or brief or on any oral argument.

Furthermore, it is manifest from an examination of each of the items of "prior-art" relied on by defendants†,

† see analysis of "prior-art" under following *Argument—Point 7-a* hereinbelow

that the patent-in-suit is not “anticipated”, because there is *not one* item of prior-art the device or structure of which responds to or fully satisfies any claim-in-issue of the patent-in-suit:

“ . . . to ‘anticipate’ an invention, it is necessary that all of the elements of the invention or their equivalents be found in one single description or structure where they do substantially the same work in substantially the same way (citing authorities)”*

Argument of Point 6: Patent-in-suit not invalid for “non-invention” on its face (namely, without reliance upon any prior-art)

In paragraph 3 of its Conclusion of Law (Rp 138) and in paragraph 3 of its Summary Judgment and Decree (Rp 141), the District Court held the patent invalid for “lack of novelty and invention”.

It is not altogether clear just what the above-quoted language of the Conclusions and Judgment was intended to mean, but as this part of the Conclusions and of the Judgment does not refer to the prior-art, it would seem that this was intended to mean “lack of novelty and invention” *on the face of the patent*. Perhaps this part of the Conclusions and Judgment was intended to correspond to paragraph 1 of the Memorandum Decision (Rp 129). See pages 14 & 4, *supra*.

However, this Court has heretofore held in *Park-In vs. Rogers*, *supra*, that the patent here in suit may not be held invalid for lack of invention *on its face*, because “the issuance of the patent is presumptive evidence of invention and patentability” and because this “presumption is so strong that in the event of a reasonable doubt as to patentability or invention, that doubt must be resolved in favor of the validity of the patent” and because upon the fact-question of invention “the patentee has the right to fortify the presumption of validity of the patent by proof of matters tending to show that the conception of the patentee involved invention and utility”, and be-

* Walker on Patents (Deller's edition) Volume 1, Section 47, page 255

cause the patentee has the right to have his patent judged, against the defense of non-invention, in "such additional light as is permissible in a patent case upon the questions of invention, priority, etc."

It is therefore respectfully submitted that the patent-in-suit is clearly not invalid *on its face* "for lack of novelty and invention", as stated in the lower Court's *Conclusions and Judgment*.

Argument of Point 7-a: Patent-in-suit not invalid, as a matter of law, for lack of invention over the prior-art

While "lack of invention over the prior-art" is the basis of paragraph 2 of the District Court's Memorandum Decision (Rp 129) and of its Conclusion 4 (Rp 138) and of paragraph 4 of its Judgment (Rp 141), yet it is manifest, as pointed out on pages 4 to 7, *supra*, that defendants' motions were bottomed entirely on the First Circuit's decision in *Loew's vs. Park-In* and their reference to the prior-art was mere makeweight, and the District Court manifestly had no opportunity to compare the prior-art with the patent-in-suit.

Nevertheless, because "lack of invention over the prior-art" is a part of the Judgment, we believe we have no alternative also to analyze the "prior-art";—which is done hereinbelow. In this analysis the patents and publications are taken up in the order in which such "prior-art" is referred to in defendants' moving affidavit (Rp 95-103). Nilson, White and Togersen, cited in defendants' motion (Rp 91) were not relied on in their moving affidavit while the Findings placing no reliance upon either the Nilson, White, Freschl, Hinman, Togersen or Geyling patents. Hence a discussion of these six patents is deemed unnecessary, and has been omitted.

"Prior-art" irrelevant;—does not disclose or suggest a drive-in theatre of any form or construction, much less the specific drive-in theatre structure disclosed and claimed in the patent-in-suit

An examination of the "prior-art" relied upon by defendants, shows that there is not a single patent or

publication disclosing or suggesting even the bare idea of a number (4, 5, 6, 7 etc.) of successive rows of cars, *one behind the other*, and so disposed in relation to each other that the occupants of all the automobiles could get a full view of the same picture-screen through and within the vertical limitations of the windshield, without obstruction from the cars in viewing-positions ahead or from cars entering and leaving viewing-position. Not a single item of “prior-art” relied upon by defendants suggests an *automobile motion-picture theatre* (irrespective of what its structure might be). Much less does the “prior-art” disclose or suggest the specific structure disclosed and claimed in the patent-in-suit with its successive rows of *back-tilted* car-aiming ramps of successively decreased inclination and increased elevation, *alternating* with intervening *depressed* driveways.

Lempert’s 1884-patent No.304,532 (Rp 164 et seq) relied on in defendants’ moving affidavit (Rp 97) merely discloses a series of *horizontal* “stepped” seat-receiving terraces, *directly adjoining or contiguous with each other*, in the manner long conventional in ordinary theatre houses;—the small circles in Lempert’s Figures 4 and 5 (from which dotted sight-lines are projected to the edge of the stage-floor) representing the points at which the eyes of the patrons presumably would be located when seated upon the conventional theatre-seats placed on these horizontal terraces, if all patrons were of the same stature.

There is nothing in the Lempert patent remotely suggesting an automobile drive-in theatre, much less one in which inclined car-aiming ramps alternate with depressed driveways substantially below the fronts of the car-aiming ramps flanking the driveways rearwardly thereof, nor does the Lempert patent suggest the idea of variably tilting an automobile by means of the inclined car-aiming ramps, as shown particularly in Figures 7, 8, 3 and 4 of the patent-in-suit.

Plaintiff’s opposing Taylor affidavit points out the problems involved in drive-in theatres and why the

Lempert patent fails to supply or suggest any solution to these problems (Rpp 109-112).

The 1945 issue of the **Encyclopedia Britannica** (Rp 276) relied on in defendants' moving affidavit (Rp 97) merely says that an Amphitheatre is

“a building, primarily for entertainments, in which the seats for the spectators surround the stage or arena. It is differentiated from the stadium by the fact that its shape approximates an ellipse. . . . The early amphitheatres were built of wood and were strictly temporary and it was only in the last century of the Republic that permanent amphitheatres of stone were erected (Pompeii c. 80 B.C.). In Rome an amphitheatre with a stone enclosing wall and wooden seats was built in 29 B.C. by C. Statilius Taurus.”

Plaintiff's opposing Taylor affidavit (Rpp 107-8) shows the complete irrelevance of these ancient amphitheatres, referred to in the *Encyclopedia Britannica*.

Adams' 1887-patent No.366,290 (Rp 170 et seq) relied on in defendants' moving affidavit (Rp 97) merely discloses tilting sections of the floor of “theatres or halls” by hinging the *front* edge of the floor-section and attaching ropes at intervals to the *rear* edge of the floor-section, which ropes are then hoisted up with worm-and-gear type winches;—the raised edge of Adams' floor-section being moved from its lower position *shown in dotted lines*, to its upper position *shown in solid lines* in Adams' Figure 2 (Rp 170). It is not clear from Adams' disclosure whether the non-tilting horizontal portion of the floor immediately adjoining the rope-supported rear edge of the movable floor-section also moves up and down or whether there are two independent horizontal rear floor-portions, one above the other, adjacent the rope-supported rear edge of the movable floor-section, so that such rope-supported rear edge will be in alignment with the lower horizontal floor-portion when such movable floor-section is lowered, and in alignment with the upper horizontal floor-portion when it is hoisted to its upper position. Moreover, Adams does not disclose what the purpose of

his floor-tilting is or whether seats are or are not intended to be placed upon the tilting floor-sections or whether the tilting floor-sections are intended merely as walking ramps to permit patrons to walk from a lower *horizontal* floor-section to a higher *horizontal* floor-section as shown in Adams' Figure 2.

Manifestly, there is nothing in the Adams patent to suggest an automobile-receiving drive-in theatre, much less a drive-in theatre in which inclined car-aiming ramps alternate with driveways which are depressed below the sight-lines of the car-occupants on the ramps flanking the driveway rearwardly thereof and which permit the tilting of the automobile to variable angles by moving the automobile back or forth slightly, nor does the Adams patent disclose a successive series of such alternating inclined car-aiming ramps and depressed driveways, in which the rearward car-aiming ramps are of gradually lesser inclination and higher elevation. Moreover, Adams' tiltable floor-section is tilted forwardly (for the undisclosed purpose) while the car-aiming ramp of the patent-in-suit are inclined rearwardly.

Hale's 1905-patent No.800,100 (Rp 194 et seq) relied on in defendants' moving affidavit (Rp 98) discloses nothing more than an

“ . . . illusion amusement device in which a person can be made to feel that he is traveling and seeing the sights of some foreign country or State when in reality the vehicle which he occupies is not moving forward at all.

“The invention consists, broadly, in constructing and mounting a vehicle in such manner that it may be rocked by the operator to give the impression of going around curves and providing said vehicle with means to give the occupants thereof the feeling of moving rapidly over the rails of a track and railway-crossings, in combination with means to throw a moving picture upon a screen in front of the car.” (page 1, lines 13-28 of Hale's specification)

“It has been found by actual operation of this amusement device that the illusion is extremely realistic,

some of the passengers having been known to clutch the arms of their seats in fright at the apparent great speed of the car and the way it swung over to the side as it took the curves.” (lines 105-112 of page 2 of Hale’s specification)

All that Hale discloses is a simulated railway-car mounted on a rocking and tilting mechanism to give the effects referred to above, the car having an inclined floor upon which ordinary car-seats are positioned, with the passenger-supporting surfaces of the seats horizontal.

There is nothing in Hale to suggest the idea or even the possibility of disposing automobiles one behind the other upon successive rearwardly inclined car-aiming ramps alternating with depressed driveways and permitting the individual aiming-adjustment of the car by moving it to and fro slightly.

Mehling’s 1898-patent No.612,117 (Rp 174 et seq) relied on in defendants’ moving affidavit (Rp 98) discloses nothing more than a sight-seeing bus; with the seats or benches *in the bus* arranged successively higher toward the rear upon successive horizontal “stepped” terraces built into the floor of the bus.

Harris’ 1906-patent No.810,646 (Rp 204 et seq) relied on in defendants’ moving affidavit (Rp 98) discloses nothing more than the familiar old-fashioned sight-seeing trolley car or “observation trolley car” which, like the sight-seeing bus of Mehling, has the trolley seats successively higher, towards the rear, just like in the ancient theatres, stadiums and amphitheatres still universally used. There is no suggestion in Harris’ patent of any drive-in theatre, much less of any drive-in theatre structure in which rearwardly inclined car-aiming ramps alternate with depressed driveways, nor of the other structural features set forth in the claims of the patent in suit as set out in *Appendix B* hereto.

Ridgway’s 1906-patent No.836,708 (Rp 224 et seq) relied on in defendants’ moving affidavit (Rp 98) discloses nothing more than an

“amusement device which will give the occupant the sensation of taking a trip in a balloon or flying-machine”

and which

“comprises a suspended car having an open end through which the occupants of the car look outwardly onto a screen on which are portrayed the things to be seen on the proposed trip of the balloon—such as sights, natural clouds, etc.—the car having coacting therewith devices whereby the car may be tipped that the open or outlook end of the car may sweep up and down or laterally with relation to the screen, down as when a city or land was to be viewed and upwardly when supposedly ascending into the clouds in going from one place to another.”

Thus, Ridgway's disclosure is just another *illusion* type of amusement device similar to Hale's above referred to, but Ridgway suspends his illusion device, which is a simulation of a section of a dirigible balloon, while Hale uses a simulated section of a railway-car;—both providing means for rocking and/or swinging the vehicle so as to give the illusion of the motion characteristic of that type of vehicle. There is nothing in Ridgway to suggest the drive-in theatre, much less the structure defined by the claims as set out in *Appendix B* hereto.

McKay's 1904-patent No.778,325 (Rp 182 et seq) relied on in defendants' moving affidavit (Rp 99) is nothing more than a combination of scenic railway long familiar in amusement parks and the illusion type of amusement device of the Hale patent above referred to. McKay uses a simulated sight-seeing trolley car and considerable trackage and several simulated “stations” at which the trolley-car comes onto a *rocking and rumbling* device similar to Hale's, for rocking and rumbling the wheels so as to give the effect of rapid travel while the car is stationary and while travel-pictures are projected on a screen in front of the *single* sight-seeing trolley-car.

There is no suggestion in McKay of a drive-in theatre,

much less of a drive-in theatre structure such as defined by the claims of the patent-in-suit as set out in *Appendix B* hereto.

Truchan's 1915-patent No.1,145,946 (Rp 232 et seq) relied on in defendants' moving affidavit (Rp 99) discloses nothing more than a conventional railway car into which a small motion-picture theatre has been built in the manner conventional in motion-picture houses, namely, rows of seats or benches with the successively rearward rows being slightly higher, and a screen at the front and a projection booth at the rear of the seats,

“whereby the monotony of traveling may be relieved by the exhibition of motion pictures viewable by the passengers without leaving their seats”, “to afford amusement and instruction to the passengers, while traveling in the car” (lines 15 to 26 of page 1 of Truchan's specification).

There is nothing in the Truchan patent to suggest a drive-in theatre, much less the specific drive-in theatre structure disclosed in the patent-in-suit and defined by the claims thereof as set out in *Appendix B* hereto.

Keefe's 1917-patent No.1,238,151 (Rp 244 et seq) relied on in defendants' moving affidavit (Rp 99) is another illusion type of amusement device in which *dummy* automobiles can be pulled by windlass toward a screen

“which produces an imaginary or phantom race, but which due to the arrangement of the apparatus will impart to the occupants of the dummy cars or automobiles an idea that the race is real.” (Lines 19 to 24 of page 1 of Keefe's specification).

There aren't any two dummy cars, one behind the other, in Keefe's disclosure and Keefe does not suggest any drive-in theatre, much less the specific drive-in theatre structure disclosed in the patent-in-suit and set out in the claims thereof as seen from *Appendix B* hereto.

Plaintiff's Reply Affidavits and Exhibits going to the "prior-art" and Hollingshead's invention over the "prior-art"

Plaintiff's reply affidavit (Rp 106-114), of its eminently qualified (Rp 75 & 113) expert, points out the complete lack of any disclosure or suggestion in any of the "prior-art" of any drive-in theatre, much less of the specific drive-in theatre structure of the patent-in-suit and that it required the exercise of the inventive faculty to bring into being the drive-in theatre disclosed in the Hollingshead patent and defined by the claims thereof (see quotation on pages 11-13, supra).

Plaintiff's opposing Boyle affidavit (Rpp 115-127) likewise points out that the drive-in theatre structure of the patent-in-suit was entirely new and unknown anywhere and also points out the great benefits which this drive-in theatre structure conferred upon the motion-picture industry as well as upon the public, and to this affidavit are attached certain trade-publications (Rpp 258-274) which give the trade's version of this drive-in theatre invention and its effect on the motion-picture industry.

Goodyear *vs.* Ray-O-Vac, 321 U.S. 275, 279.

Patent-in-suit is truly a pioneer patent

On the Record made on defendants' motions, the patent-in-suit is the first patent (or publication) in any country or language disclosing a specific structure constituting (or capable of being used as *automobile motion-picture theatre*, and indeed it is the first patent or publication even suggesting the idea of a motion-picture theatre (indoor or outdoor) in which the patrons would enter the theatre in their own automobiles and view the entire performance from the seats of their own automobiles, through the windshields thereof, and finally leave the theatre without ever having to get out of their automobiles.

Much less is there any disclosure or suggestion, in any or all of the prior art, of an *automobile motion-picture theatre* of the specific structure disclosed and claimed in the patent-in-suit.

Thus, none of the prior-art discloses or suggests an outdoor automobile motion-picture theatre including successive rows of *backwardly* inclined or *back-tilted* car-aiming ramps (or “stallways”) *alternating* with *depressed* driveways;—all so arranged in relation to each other that cars can be driven in and out without obstructing the view of car-occupants to the rear and so that cars in viewing-position will not obstruct the view of car-occupants to the rear, and so that the angle of inclination of each car can be varied by the driver by moving the car, to and fro, slightly, upon the car-aiming ramp, so as to adjust for the variations in the dimensions of the car and its seats and for the variations in the statures of its occupants.

Defendants have had the benefit not only of their own independent search of the prior-art, through the classified collections of United States and foreign patents and publications in the United States Patent Office and through other classified collections of literature and literature-abstracts which are the customary fields of search, but defendants have also no doubt had the benefit of the many intensive and exhaustive searches made by the leaders of the motion-picture industry have made during the past 17 years;—the patents and publications and other matter found on such searches having been cited as “prior-art” in *Park-In vs. Loew’s*, 70 F.Supp. 880 (CA-1 at 174 F.2d 547) and also in the *answers* filed in many of the other infringement suits brought on the patent here in suit, all of which suits were of course ascertainable by defendants through the “*United States Patents*” section of *Shepard’s Federal Reporter Citations*, and all of which *answers* were hence likewise available to defendants. If after the many intensive and exhaustive searches of prior-art by a powerful and widespread industry which has capitalized upon the invention of the patent here in suit and has reaped its abundant fruits for 17 years, neither the defendants at bar nor the defendants in any other suits could find a single patent, publication or prior-use disclosing, constituting or suggesting *any automobile motion-picture theatre*, of what-

ever type or construction, *much less* the specific construction or structure of the drive-in theatre in the patent-in-suit, it is fair to say that the patent-in-suit is truly a pioneer patent.

Findings relative to prior-art untenable

A full and complete answer to the counsel-drafted Findings is that, despite the fact that stadia and theatres and the like had been in operation for many years, no one had thought of the novel construction of the patent-in-suit until Hollingshead made his invention. Thus, defendants rely on patents granted as early as 1884 as showing indoor theatre structures with terraced floors and arcuate rows of seats. Automobiles have likewise been known for over 60 years and, in fact, defendants rely upon the Mehling patent (Rp 174-176) granted in 1904 as showing a self-propelled vehicle of the automobile type. Seating arrangements for viewing motion pictures projected on a screen are likewise a half-century or more old and defendants rely on patents, granted as early as 1904, as showing various structures of this type.

The Court can take judicial notice of the fact that the mass-production of automobiles began more than thirty years ago and that for many years prior to the filing date of the patent-in-suit there were millions of automobiles on the roads.

If, as counsel-drafted *Finding 5* suggests, it was an obvious and simple matter for anyone to design the drive-in theatre of the patent-in-suit, in view of the ancient and still conventional theatre and stadia structures, why was it that no one ever thought of or suggested the idea until Hollingshead did so shortly prior to the filing of his patent-application in 1932?

The answer clearly is that the structure of the patent-in-suit was *not* such an obvious change of the prior-art as *Finding 5* would indicate. As stated in *Webster Loom Co. vs. Higgins* 105 U.S. 580 (26 L.Ed. 1177, 1181):

“But it is plain, from the evidence and from the very fact that it was not sooner adopted and used, that it

did not, for years, occur in this light to even the most skillful persons. It may have been under their very eyes, they may almost be said to have stumbled over it; but they certainly failed to see it, to estimate its value and to bring it into notice. Who was the first to see it, to understand its value, to give it shape and form, to bring it into notice and urge its adoption, is a question to which we shall shortly give our attention. At this point we are constrained to say that we cannot yield our assent to the argument, that the combination of the different parts or elements for attaining the object in view was so obvious as to merit no title to invention. Now that it has succeeded, it may seem very plain to anyone, that he could have done it as well. This is often the case with inventions of the greatest merit. It may be laid down as a general rule, though perhaps not an invariable one, that if a new combination and arrangement of known elements produce a new and beneficial result, never attained before, it is evidence of invention.”

See also *Payne Furnace & Supply Co. vs. Williams-Wallace Co.* 117 F.2d 823, 826 (CCA-9).

It is, of course, a simple enough matter to select this, that and the other feature from various prior patents and publications and, *in the light of the teaching of the patent-in-suit*, synthesize them into a hypothetical structure having the features of claimed invention (which so-synthesized hypothetical structure never existed prior to the filing date of the patent-in-suit). It is, however, well settled that such a *synthesis* from elements (lifted out of a number of prior patents) based on *hindsight*, is improper and cannot be relied on for the purpose of anticipating the patent-in-suit or for the purpose of a finding of “lack of invention over the prior-art”, particularly where, as here, the patent-in-suit was a pioneer one which led to the establishment of a great new industry.

As stated in *Diamond Rubber Co. vs. Consolidated Rubber Tire Co.* 220 U.S. 428, 55 L.Ed. 527, 531-2:

“Many things, and the patent law abounds in illustrations, seem obvious after they have been done, and, ‘in the light of the accomplished result,’ it is often a matter of wonder how they so long ‘eluded the search of the discoverer and set at defiance the speculations of inventive genius.’ (citing authorities) Knowledge after the event is always easy, and problems once solved present no difficulties, indeed, may be represented as never having had any, and expert witnesses may be brought forward to show that the new thing which seemed to have eluded the search of the world was always ready at hand and easy to be seen by a merely skilful attention. But the law has other tests of the invention than subtle conjectures of what might have been seen and yet was not. It regards a change as evidence of novelty, the acceptance and utility of change as a further evidence, even as demonstration.” See also the cases discussed hereinbelow at pages 64 & 65.

We submit, furthermore, that the District Court has not made any proper *Finding of Fact* that the patent-in-suit is invalid as anticipated by, or lacking invention over, any *particular* prior patent or any *particular* combination of prior patents.

Instead, the counsel-drafted Findings of Fact simply follow the opinion of the First Circuit’s decision in *Loew’s vs. Park-In, supra*, on the defense of “lack of invention”;—with the very general references to the prior-art interspersed therethrough, to “support this decision” (Rp 81, lines 2 & 3), being mere makeweight.

Structure of patent-in-suit was deemed by the industry to be NOT obvious from the generally-known prior theatre, auditorium and stadium structures

The unobviousness of the drive-in theatre structure of the patent-in-suit is further evidenced by plaintiff’s Exhibit 15 (Rp 275) discussed in plaintiff’s answering affidavit (Rp 126-7) which shows that as late as 1937, some 4 years after Hollingshead had built in Camden, N. J. the first of his drive-in theatres, and long after such

drive-in theatre had come to the attention of the public and the industry, experienced motion-picture exhibitors and theatre-owners still had the problem of overcoming the general skepticism of the public, as to how the occupants of each automobile could have full visibility of the screen from the front and rear seats of the automobile, without their views being obstructed by the cars ahead and by the cars moving (in and out) in front of them, and that the practical men of the motion-picture exhibition industry as late as 1937 thought it necessary to give a diagrammatic picture of the way the structure of the drive-in theatre of the patent-in-suit operates, directly upon the front cover of their program books or pamphlets, as shown in plaintiff's Exhibit 15 (Rp 275). Thus, in the judgment of those actually engaged in the industry, it was not obvious to the public as late as 1937* just how there could be a structure, or what kind of a structure could have been invented, to make for a practical automobile drive-in theatre, and the people actually engaged in the industry deemed it necessary to hand out printed instruction sheets (plaintiff's Exhibit 15) to explain the structure of the drive-in theatre of the patent-in-suit.

How in the face of all this can it be said that the drive-in theatre of the patent-in-suit became obvious from the wholly unrelated ancient structures, publications and patents?

A fortiori, the fact-questions raised by defendants' motion for summary judgment are not so clearly resolved, by the record, in favor of the movant, as to have required the District Court to hold or to have justified the District Court in holding the patent-in-suit invalid on the motion.

On the contrary these fact-questions are so clearly resolved in favor of plaintiff, *by the record*, as to require the Court to hold the patent-in-suit valid *on the record made on the motion for summary judgment*. This is not to say that defendants may not, upon the trial, adduce additional evidence not now of record which may be more

* *after* Hollingshead's Camden drive-in theatre had been in operation for 4 years and *after* similar drive-in theatres had been built under the patent-in-suit in California.

favorable to defendants than is the evidence now of record. Nor is it necessary to forecast what such evidence might be or whether it will be strong enough to invalidate the patent-in-suit for non-invention. It is sufficient to say that *insofar as the present record is concerned* the patent-in-suit is clearly valid against the defense of "lack of novelty or invention" or "lack of invention over the prior art" or "anticipation".

Argument of Point 7-b: Defendants' showing made on motion, does not overcome legal presumption of invention

It is respectfully submitted that neither the prior-art nor the controverted opinion-affidavit of defendants' attorney is sufficient to overcome the strong legal presumption, inherent in the grant of the patent-in-suit, that the subject matter thereof involved invention over the prior-art and was patentable.

The arguments of the defendants' attorney, set out in affidavit form in support of a motion for summary judgment, are refuted not only by plaintiff's opposing affidavits, but also by the irrelevant character of the prior-art and by the view which those skilled in the industry have taken of the invention of the patent-in-suit as shown in plaintiff's Exhibits 2 to 15, discussed above.

Hence, as the legal presumption of invention and patentability has by no means been overcome by the showing made by defendants on their motions, the Judgment below should be reversed for that reason, among others. *Park-In vs. Rogers*, 130 F.2d 745 (CA-9).

Argument of Point 7-c: Claims to combination valid

Finding 4 (Rp 134) includes the statement that plaintiff has admitted each of the individual elements of the patent claims to be old and that the District Court so finds. Paragraph 4 also states that plaintiff does not contend that there is invention in any single element of the claims but claims invention in the combination. Paragraph 4 then concludes with the statement that "There is no invention in the alleged combination."

Plaintiff has never admitted that *all* of the elements included in the claims of the patent-in-suit are individually old.*

Moreover, plaintiff's position has been that the claims of the patent-in-suit are to the combination of elements and features (which constituted the *first* drive-in theatre structure ever known). These claims are valid since the claimed combination was *not* fairly suggested by the prior art and performs a new and different function. They are valid even if all of the individual elements or features making up the combination should themselves be old and found separately in various prior patents.

That invention can reside in a combination of individually old elements or features has long been established as a fundamental principle of patent law, as evidenced by the quotation from *Webster Loom Co. vs. Higgins* 105 U.S. 580; 26 L.Ed. 1177, 1181, as set forth at page _____, supra.

Among the more recent decisions on the point is that of this Court in *Pointer vs. Six Wheel Corp.* 177 F.2d 153, 160-1, certiorari denied 339 U.S. 911 (CA-9), wherein it was held:

“By the same token, invention cannot be defeated merely by showing that, in one form or another, each element was known or used before. (citing many cases).”

“The question is: Did anyone before think of combining them in this manner in order to achieve the particular unitary result,—a new function? *If not, there is invention.* (citing cases)”

“At times, the result is accomplished by means which seem simple afterward. But, although the improvement be slight, there is invention, unless the means were plainly indicated by the prior art. (citing many cases)”.

* for instance, *back-tilted* car-aiming ramps, *depressed* driveways, and gradual decrease of inclination and increase of elevation of successive ramps, were *not* admitted to be old and were in fact new, as was the combination new

Among the cases cited in the *Pointer* opinion, supra, is *Atlantic Refining Co. vs. James B. Berry Sons Co.* 106 F.2d 644, 650 (CCA 3) wherein it was held:

“The defense offered is a mosaic defense and as was said by his court in *Craft-Stone, Inc. v. Zenitherm Co., Inc.*, 3 Cir., 22 F.2d 401, 402, ‘The patentee invented a new and useful product, and it is not permissible for an infringer to go to the prior art and defeat the patent by selecting the various elements of the patentee’s process from different patents, bring them together, and say that this aggregation anticipates. Knowledge after the event is always easy, and problems once solved present no difficulties.’ ”

It is apparent that none of the prior patents or publications relied on by defendants and cited in the *Findings of Fact* (Rpp 135-136) shows or suggests the combination of elements making up the novel outdoor motion-picture theatre for automobiles, as defined by the claims of plaintiff’s patent-in-suit (See *Appendix B*, hereto).

Argument of Point 8-a: Patent contains adequate disclosure

The District Court’s Memorandum Decision includes statements (Rp 129) to the effect that the patent-in-suit is invalid because its claims are indefinite and because functional language has been used in the patent-in-suit. Similar statements are contained in the *Findings and Conclusions* (Rp 136-138 & 139) and *Summary Judgment* (Rp 141-142).

The sole bases for these statements are the arguments of defendants’ attorney (Rp 102-3) contained in his opinion-affidavit (Rp 95-103) to the effect that the various parts or elements constituting the drive-in theatre structure of the patent-in-suit are not *dimensioned*, that is, the patent-in-suit does not specify “in feet, inches, yards, meters, degrees, or any other unit of measurement” the size of the various elements of the structure:—defendants’ attorney *concluding*, in the Motion (Rp 92) that

“As a result the patent does not actually disclose or teach the invention, in its claims, so as to ‘enable any person skilled in the art or science to which it appur- tains, or with which it is most nearly connected, to make, construct, compound, and use the same’.”

and *concluding* in his affidavit (Rp 103)

“That as a result, *the claims* of the patent in suit do not teach how a successful drive-in theatre can be constructed and therefore such claims are invalid since they do not conform to the statutory requirements.”

It is submitted that the aforesaid arguments of defendants’ counsel, as well as the *Conclusions* based thereon, are erroneous upon the facts and under the controlling authorities.

The patent-in-suit specifies (page 2, lines 45-47) the dimension of the car-aiming ramps or stallways (15 or 16 feet) and of the intervening depressed driveways (approximately 35 feet). Figures 1, 2 and 3 show that the first set of these (15’ to 16’) car-aiming ramps or stallways 14 may be more or less twelve car-lengths from the screen 12, or at such distance from the screen that the vertical field of vision of the car-occupants (through and as limited by the windshield) encompasses the vertical dimension of the screen when the car is disposed on a car-aiming ramp in the first row, as indicated in Figures 3 & 4 of the drawings of the patent. On successively rearward rows of car-aiming ramps this vertical field of vision is maintained, as indicated in Figures 3 & 4 and as pointed out in the specification and some of the claims, by decreasing the angle and increasing the elevation of the car-aiming ramps†.

The drawings, particularly Figures 3 and 4, show that the angle of inclination or *back-tilt* of the car-aiming ramps or stallways 14 and the size and height (above ground) of the screen 12 are such that the vertical angle-of-vision 22, indicated in Figures 3 and 4, encompasses the vertical dimension of the screen, with the bottom sight-

† see concordance *Notes 13 & 14* in *Appendix B* (facing page 1b)

line of the angle-of-vision 22 higher than the top of the car on the ramp ahead. The angle-of-vision 22 can be used for determining the angle of back-tilt of the car-aiming ramps 14, the distance of the first row of such car-aiming ramps from the screen and of the size and height of the screen, in accordance with the drawings and specifications of the patent.

One set of *fixed* numerical values for any of these angles or dimensions would be misleading because, for instance, if the vertical dimension of automobile windshields is reduced, these angles and dimensions are necessarily changed correspondingly. Likewise, if it is desired to use a larger screen, the first row of car-aiming ramps 14 would have to be moved back somewhat so that the vertical angle-of-vision 22 (determined by the vertical dimension of the windshield and the distance of the car-seats from the windshield) will encompass the vertical dimension of such larger screen.

Indeed, any attempt to express these relationships in exact mathematical units would have led to the impossible situation of having thousands and thousands of different values, depending upon the particular size of the theatre and the terrain upon which it is to be built, the individual dimensions of the particular vintage, makes and models of automobiles, and the like.

A similar situation was considered in the case of *General Electric vs. Nitro Tungsten Lamp Co.* 266 Fed. 994, 1000 (CCA-2), wherein the Court stated:

“On the present facts, it is clear that it was (1) impossible to define the parts of Langmuir’s lamp in millimeters or other dimensional units; and (2) no such effort was necessary to instruct the skilled man how to make the lamp of the patent.

“It was impossible to give exact measurements, because the economic object of the lamp was to diminish the wattage per candle, and dimensions must be proportioned to the designed wattage; i. e., substantially to the size of the lamp—something to be worked out according to rules presumably long familiar to a competent electrical engineer. It was un-

necessary to do more than state the limits of invention in terms of result, because the results desired are not functional, and do indicate limits in terms of lamp life and candle power which are likewise presumably quite familiar to any competent electrician. When a claim defines achievement in words no broader than the disclosure, and in phrases which, as interpreted by competent workers in the art, tell one how to do what the patentee did, it can rarely be called indefinite.”

Also pertinent is the decision in *Suczek vs. General Motors Corp.* 35 F.Supp. 806, 809 (DC ED Mich), affirmed 132 F.2d 371 (CCA 6), wherein the Court stated:

“The patent in suit is lacking in any disclosure as to the specific angle at which the levers or their axes are placed; so whatever may be said against the Holle disclosure in that respect may also be said against the Suczek patent in suit. An applicant for a patent need not describe all the arrangements that may go into his structure. He must, however, disclose what his invention is and then he may leave some of the details for good mechanics to supply.

“Holle said he could arrange the levers at angles other than right angles. The plaintiff contends that the things which it was necessary to do in order to make it work were not obvious, and that the ordinary skilled mechanic would have made an unworkable wheel suspension. The way I interpret the situation, however, is that when Holle said he could arrange his arms at angles other than at right angles to the car, the ordinary mechanic, skilled in the art, could have done it at the time Suczek applied for his patent. We know today from defendant’s cars that such a thing is operative.”

And, as stated in *H. H. Robertson Co. vs. Klauer Mfg. Co.* 98 F.2d 150, 153 (CCA 8):

“Here the space is hardly capable of mathematical determination and definition since that space is

largely dependent upon the relativity of the eduction pipe, the storm band and the cap and such relativity must be applied to ventilators of varying sizes.”

Finding 7 criticizes claims 5 and 6 as not specifying that the “angle with respect to the screen” is a vertical one as specified in claims 2 and 4 and as stated in the specification (see page 2, lines 30-41 of the patent).

However, the “angle” referred to in claims 5 and 6 is shown throughout the specification and drawing to be a vertical one. It is, of course, well settled that the claims of a patent must be construed in the light of the specification and drawings and that a claim cannot be held invalid for lack of definiteness if it is apparent from the specification and/or drawings just what is meant by the claim-language.

A case directly in point is the decision of this Court in *Shull Perforating Co. vs. Cavins* 94 F.2d 357, 364 (CCA-9), wherein it was stated:

“The appellant also contends that the claims 18 and 24 of the patent in suit are invalid because of the too great generality of the claims in the clauses thereof relating to delayed action. It is contended that neither the means of securing the delay nor the extent of the delay desired or secured are clearly stated in the claims; that said claims merely cover ‘means for effecting a delayed movement of the valve away from its seat’ (claim 18), and ‘automatic means for effecting delayed movement of the valve,’ etc. (claim 24). It is claimed that the words ‘delayed movement’ are too general to comply with the requirements of the statute with reference to the issuance of patents.”

“The patentee is entitled to have the claims of the patent construed with reference to the drawings and specifications. Where the means referred to in claims are clearly shown in the description of the patent, this description is sufficient to cover the means thus disclosed and its mechanical equivalents. (citing

cases). Furthermore, the term 'delayed movement,' while not defined with exactitude in the patent, is clarified by the drawings and also by the purpose sought to be achieved by the delayed movement as declared in the patent description."

In *Payne Furnace & Supply Co. vs. Williams-Wallace Co.* 117 F.2d 823, 825-6 (CCA-9), this Court stated:

"Nor do the claims specifically describe, although they suggest, the manner of assembling the sections together to form a flue pipe. The claims of a patent are to be understood and interpreted in the light of its specifications. *Schriber-Schroth Company v. Cleveland Trust Co.*, December 9, 1940, 61 S.Ct. 235, 85 L.Ed. ; *Smith v. Snow et al.*, 294 U.S. 1, 55 S.Ct. 279, 79 L.Ed. 721; *Jewell Filter Company v. Jackson*, 8 Cir., 140 F. 340, 344.

"Stadtfeld's improvement occurred within the confines of an ancient art. Its importance and wide commercial adoption is powerful evidence of invention as contrasted with the exercise of mere mechanical ingenuity. . . . The patent is entitled to the presumption of validity; and the citations to the prior art fail to overcome the presumption."

See also to like effect *Goodman vs. Paul E. Hawkinson Co.* 120 F.2d 167, 171 (CCA-9).

There is nothing in the record in the case at bar to show that those skilled in the art could not build Hollingshead's drive-in theatres merely on the basis of the teaching contained in the patent-in-suit.

The opinion-affidavit of defendants' counsel (Rp 95-103) can, of course, not be sufficient to overcome the strong legal presumption that the patent fulfills all the requirements of the statute, including adequacy of disclosure (*Park-In vs. Rogers*, supra).

Moreover, defendants' aforesaid moving affidavit is fully controverted by the opposing affidavit (Rp 106 et seq) of plaintiff's well-qualified expert.

Notwithstanding the fact that hundreds of drive-in theatres of the patent-in-suit have been built throughout the United States (some by defendants), defendants' moving affidavit is entirely silent on just what (if any) additional "know-how" was in fact supplied by others in the building of these drive-in theatres, over and above the teachings of the patent-in-suit, and whether such additional "know-how" reflected the exercise of the inventive faculty or merely ordinary mechanical skill (in putting into operation the presumptively adequate teaching of the patent-in-suit).

It is significant to note that in *Loew's vs. Park-In, supra*, the First Circuit *rejected* the argument that the patent-in-suit was invalid for lack of definiteness;—that Court conceding:

“that Hollingshead's patent contains an adequate 'teaching' of his open-air drive-in theatre structure, and this in spite of the fact that he gives no mathematical formula for pre-determining the verticle angle of his automobile stallways relative to the height of the screen; typical claims providing only that the stalls be at a vertical angle with respect to the stage such as will produce a clear angle of vision from the seat of the automobile, through the windshield thereof to the stage, free of obstruction from the automobiles ahead of it.” (174 F.2d 551)

Thus, the District Court, in the case at bar, has* gone even farther than the First Circuit did in *Loew's vs. Park-In, supra*.

Inasmuch as there had never been any prior ruling of any court adjudging the patent-in-suit invalid for indefiniteness, the District Court clearly erred in deciding this issue upon summary judgment instead of leaving it to be decided upon the trial, when all the underlying facts could be fully developed.

* perhaps as the result of relying too much upon defendants' attorneys for the draft of the *Findings of Fact and Conclusions of Law and Summary Judgment and Decree*;—coupled with the lack of opportunity to examine the patent-in-suit

Argument of Point 8-b: Claims Not Functional

The District Court's adoption of the argument of defendants' attorney that the claims are objectionable as being "functional" was likewise erroneous. Thus, the basis for this objection is generally the same as that of the objection of "indefiniteness" discussed above, namely the fact that the claims do not specify dimensions in terms of feet, inches, degrees of arc, etc., which will give the clear angle of vision specified by the claims. The claims make it clear that the car-aiming ramp or stallways are at a vertical angle with respect to the screen so as to give an upward or *backward* tilt to the automobile. Most of the claims are specifically limited to the use of these car-aiming ramps or stallways, and are manifestly unobjectionable from the standpoint of being merely "functional". Claims 16 and 19, while not referring to these stallways in the same language, are, nevertheless, explicit in referring to "inclined means for supporting automobiles", which the specification and drawings show to be back-tilted car-aiming ramps.

The phrase "inclined means for supporting" is not objectionable, since, as stated in *H. H. Robertson Co. vs. Klauer Mfg Co.*, supra:

"A limited use of terms of effect or result, which accurately define the essential qualities of a product to one skilled in the art, may in some instances be permissible *and even desirable.*" *General Elec. Co. v. Wabash Appliance Corp.*, 58 S.Ct. 899, 903, 82 L.Ed. , May 16, 1938."

As stated in *Bradley vs. Great Atlantic & Pacific Tea Co.* 78 F.Supp. 388, 393 (DC ED Mich), affirmed 179 F.2d 636 (CA 6):

"The plaintiff does use the word 'means' in its patent claims but we do not understand the Halliburton case* to infer that from that date on the use of that particular word is taboo in all patent claims. Many patents in the past and certainly many since the date

* Halliburton vs. Walker, 329 U.S. 1, 8-9

of the Halliburton decision have referred to the 'means' by which the patented article is supposed to function. We think that the objection of the Supreme Court to the legality of the patent in the Halliburton case was chiefly because not one of the claims rested or even suggested the physical structure of the acoustical resonator."

See also to like effect *Excel vs. Bishop* 167 F.2d 962, 966 (CCA 6) and *Charles Peckat Mfg. Co. vs. Jacobs* 178 F.2d 794, 799 (CA 7) and

Indeed, the Supreme Court itself has recognized that the *Halliburton* case to be limited to the peculiar facts there under consideration, because in *Faulkner vs. Gibbs* 338 U.S. 267, it granted certiorari because of an alleged conflict between the decision of this Court (reported at 170 F.2d 34) and the *Halliburton* decision. In sustaining this Court's holding of validity and infringement, the Supreme Court stated:

"The record, briefs and arguments of counsel lead us to the view that Halliburton, supra, is inapposite. We there held the patent invalid because its language was too broad at the precise point of novelty. In the instant case, the patent has been sustained because of the fact of *combination* rather than the novelty of any particular element."

In *Faulkner vs. Gibbs* 170 F.2d 34 (CA-9), the defendant had raised the same objections which are raised by defendants at bar, namely that

"the claims do not particularly describe and distinctly claim as invention the part, improvement or combination claimed as invention but merely represent an attempt to patent a function or result . . .",

because of the use of the word "means".

In sustaining the validity of the patent, this Court *rejected* these defenses of indefiniteness and functionality in the *Faulkner* case, and we submit that that decision should be followed herein and the District Court's decision should be reversed and set aside.

Argument of Point 9-a: The Record does not justify award of any attorneys' fees

In its Memorandum Decision (Rpp 129-130) the District Court made no reference to *any* award of attorneys' fees. It was only in *Finding 11*, belatedly proposed by defendants and adopted by the Court without affording plaintiff any opportunity to object thereto, as pointed out at page 9, 14 & 15, *supra*, that defendants tendered as a part of the *Findings of Fact* the statement "that the action was brought upon surmise and suspicion and that plaintiff repeatedly delayed the proceedings".

However, not only was this statement so injected into the *Findings* without support in the record, but, indeed, Judge Yankwich more than a year earlier had denied* defendants' Motion to Strike & Dismiss based on their identical contention that the action was brought "on surmise and suspicion and without good grounds"¹ and "that the complaint fails to state a cause of action, etc."² Hence, if anything, it was *the law of the case* that the complaint was *not* filed on surmise and suspicion and that the complaint *did* state a good cause of action.

It is likewise manifest from the *Filings and Proceedings in the District Court*, set out in *Appendix A*, that defendants did not delay the proceedings.

Authority for award of attorney's fee in patent cases is found in 35 U.S.C. 70, as amended August 1, 1946:

"The court may in its discretion award reasonable attorney's fees to the prevailing party upon the entry of judgment on any patent case.";—

making the award of attorney's fees discretionary, and not mandatory.

The great weight of authority is to the effect that the award of damages under this statute should be the excep-

* see item 18 on page 2a of *Appendix A*

¹ lines 4 and 5 of page 3 of defendants' Motion to Strike filed November 3, 1948 (not reproduced in the Transcript of Record, and being item 15 of the Filings and Proceedings in the District Court, *Appendix A*)

² lines 7 and 8 of page 5 of defendants' Motion to Dismiss filed November 11, 1948 (not reproduced in the Transcript of Record, and being item 15 of the Filings and Proceedings in the District Court, *Appendix A*)

tion rather than the rule, and that, in the absence of unusual circumstances evidencing bad faith on the part of the losing party, *no* part of the attorney's fees of the prevailing party should be assessed against him.

Particularly is this true where the losing party in the District Court is the plaintiff-patentee and where the sole ground for the decision is the alleged invalidity of the patent-in-suit.

Associated Plastics Companies, Inc. vs. Gits Molding Corp., 182 F.2d 1000, 1006 (CA-7, decided June 19, 1950)

Phillips vs. Esso, —F.Supp.—; DC Md. (85 USPQ 128, 133-4)

Hall vs. Keller, 81 F.Supp. 836-7 (DC MD Pa):

“Granting the harrassment and that the defendant suffered serious damages, we believe this character of claim

would not be classified and indemnified under the provisions for the payment by the losing party of the attorney's fees of the prevailing party in this case.”

It is clear that the present action was instituted in good faith and under a *prima facie* claim of right reinforced not only by the presumption of validity inherent in the grant of the patent (see *Barili vs. Bianchi*, 168 F.2d 793, 803; CA-9) but also by the earlier favorable decision of this Court in *Park-In vs. Rogers*, *supra*, which, as pointed out hereinabove, established the law of this Circuit.

To like effect are each of the following cases:

Scott vs. Lasticnit—F.Supp.—Mass (83 USPQ 447)

Lincoln vs. Linde 74 F.Supp. 293, 294 (DC ND Ohio)

Dixie vs. Paper Container 174 F.2d 834, 836-7 (CA-7)

Sales Affiliates vs. National 172 F.2d 608, 613 (CA-7)

Cowles vs. Frost 77 F.Supp. 124, 131 (DC SD NY),
affirmed 174 F.2d 868 (CA-2)

National vs. Michigan 75 F.Supp. 140, 142 (DC WD Mich)

Union vs. Superior 9 F.R.D. 117, 121 (DC WD Pa)

As it is manifest from the Pleadings and Proceedings that the Complaint was filed in good faith and that plaintiff has not delayed the proceedings at all, and as it is *the law of the case* that the Complaint was filed “on surmise and suspicion”, there was no ground whatever for the award of attorneys’ fees, under the weight of judicial authority reflected by the above-cited cases. Therefore, the award of attorneys’ fees should be reversed and set aside.

Argument of Point 9-b: District Court failed to state basis of award of attorneys’ fees as required by this Court in *Dubil vs. Rayford*

The District Court, in the case at bar, failed to comply with the rule stated by this Court in *Dubil vs. Rayford*, F.2d ; CA-9 (87 USPQ 143, 146) that the District Court must clearly state the basis on which attorneys’ fees are to be awarded, and in the absence of any such statement “it becomes the duty of the reviewing court to set aside the award”.

To like effect is the decision in *Hall vs. Keller*, *supra*.

In the case at bar, there is no statement by the Court as to any basis or reasons for the award of attorneys’ fees unless it be the statement of defendants’ attorney in his belatedly submitted *Finding 11* “that the action was brought on surmise and suspicion”, a contention which had been rejected by another Judge of the same Court more than a year earlier and as to which defendants made no additional showing since such rejection, or unless it be the equally unsupported contention injected by defendants’ counsel into his belatedly proposed *Finding 11* “that plaintiff repeatedly delayed the proceedings”, which is likewise completely refuted by the *Filings and Proceedings* in this action as shown by *Appendix A*.

Therefore, it is respectfully submitted that the lower Court’s award of attorneys’ fees should be reversed and set aside for failure to comply with the requirement of this Court in *Dubil vs. Rayford*, *supra*.

Argument of Point 9-c: Record before District Court does not establish that \$3,400.00, awarded as attorney's fees, was reasonable

Even if this were a case in which defendants were entitled to an award of attorney's fees under 35 U.S.C. 70, it is submitted that the District Court erred in awarding an excessive amount, and without any showing to support such amount or any amount of that general magnitude.

Thus, the sum of \$3400 included (Rp 139) in the counsel-drafted Findings and Conclusions and Summary Judgment, is based solely upon affidavits of defendants' attorneys merely stating the total amounts billed and to be billed by them.

The only place in which either affidavit states that the charge for services is "reasonable" as required by 35 U.S.C. 70, is the reference to the \$150.00 in the Ladenberger affidavit.

There is no allegation that the \$281.25 paid to Ladenberger was a "reasonable" fee, nor that the \$2685.70 billed or that the \$375.00 to be billed by Mr. Miketta were "reasonable" fees for the services necessarily or actually rendered by him in *connection with the proceedings in the action at bar*.

Thus, defendants' Miketta and Ladenberger affidavits are devoid of any showing from which it could be gleaned whether defendants' attorneys have rendered 20 hours of service or 200 hours of service and whether they billed their time at the rate of \$5.00 an hour or \$100.00 an hour and whether and to what extent the services for which the claimed charges were made were for their work in connection with pleadings, motions and proceedings initiated by defendants which were wholly unnecessary¹ or as to which defendants were unsuccessful².

¹ for instance, defendants' Interrogatories were clearly unnecessary because they went to matters peculiarly, if not exclusively, within defendants' knowledge, and defendants Answers to the Complaint were unnecessary if their Motion to Dismiss or their Motion for Summary Judgment was sound

² for instance, defendants were unsuccessful on their first Motion to Strike and Dismiss the Complaint and for a more Definite Statement, and were also, for the most part, unsuccessful on their Requests for Admissions

Assuming (without suggesting that it is a fact) that Mr. Miketta's services were billed at the rate of \$50.00 an hour, and that defendants were willing to pay at that rate, that would not yet be a sufficient reason to *award* attorney's fees at that rate, because what may be reasonable *and proper* as between attorney and client may *not* be "reasonable" in the eyes of the law in respect to the award of attorney's fees under 35 U.S.C. 70.

Likewise, as virtually all pleadings, motions and proceedings initiated by defendants (other than their Motion for Summary Judgment) and all affidavits, briefs and hearings incident to such motions and proceedings (other than affidavits in support of and in opposition to defendants' Motion for Summary Judgment) were obviously unnecessary if defendants' Motion for Summary Judgment were sound, there should have been an apportionment between the services in connection with defendants' Motion for Summary Judgment, on the one hand, and in connection with all other pleadings, motions and proceedings initiated by defendants, on the other hand, and only the charges incident to the former services should have been awarded.

While for the purposes of this appeal we need not question the fees charged by other attorneys *to their clients*, we most emphatically say that \$3400.00 *far* exceeds any "reasonable attorney's fees" *under 35 U.S.C. 70* in view of the summary disposition of this case;— fees merely for preparing the few sustained requests for admissions, a 6-page Motion for Summary Judgment, a 9-page Affidavit and a 9-page Brief in support thereof and for preparing the Findings, Conclusions and Judgment.

If not more than \$2500.00 was originally considered "reasonable attorney's fees" for a fully tried case as extensive as *Hall vs. Keller*, *supra*, then surely only a small fraction of that amount would be justified in the case at bar in view of the summary disposition of the action at bar.

Even in cases where attorney's fees have been allowed, other Courts have almost invariably reduced the amounts

originally requested and have limited the award to only certain phases or aspects of that particular case.

Thus, in *Falkenberg vs. Bernard Edward Co.* F.Supp. ; DC ND Ill (85 USPQ 127, 128), the Court awarded the successful plaintiff-patentee only half the amount requested as attorney's fees. In the *Falkenberg* case, supra, the District Court had originally held the patent invalid (79 F. Supp. 417), but had been reversed by the Court of Appeals (175 F.2d 427) which held the patent valid and infringed. Upon remand, the District Court stated:

“In the majority of cases where fees have been allowed, the courts have been concerned with actions instituted by plaintiffs purely for the purpose of harassment or with conduct designed to put the opposing party to unconscionable expense during the pendency of the suit. In the instant case the Court is not particularly confronted with these problems. However, it should be remembered that I previously found, in which finding the Court of Appeals concurred, that defendant had been guilty of copying in a most flagrant manner. . . . However, in view of the fact that defendant was not guilty of inequitable conduct during the course of the proceedings before this Court and the Court of Appeals, I feel that sound judicial discretion requires that the sum awarded by reason of defendant's previous conduct be half of the amount requested.”

In other words, even though the infringer had been guilty of flagrant copying such as entitled the plaintiff-patentee to the award of attorney's fees, the Court, in the *Falkenberg* case, supra, *cut the amount in half* because there had been nothing unusual in the prosecution of the suit itself.

See also the following decisions on the matter of the reduction or disallowance of the claimed attorney's fees because of the need for apportionment between various phases or aspects of the case:

Excel vs. Bishop 86 F.Supp. 880, 881 (DC ND Ohio)
Brennan vs. Hawley 82 USPQ 92, 95 (DC ND Ill)
Heston vs. Kuhlke 81 F.Supp. 913-916 (DC ND Ohio)
Water Hammer vs. Tower 7 F.R.D. 620, 622 (DC ED Wis)
Juniper vs. Landenberger 76 USPQ 300, 301 (DC ED Pa)

Even if the Miketta and Ladenberger affidavits had specified that all of the charges made by them were reasonable, the Court should still have required a factual showing so that it could exercise its own discretion as to whether the charges were in fact reasonable within the meaning of 35 U.S.C. 70, and the Court's failure to require such a verified constitutes reversible error.

Thus, the District Court was clearly in error in not making an independent determination as to the reasonableness of the fees charged by defendants' attorneys and in simply adopting the unitemized totals billed by defendants' attorneys.

Conclusion

In conclusion, it is therefore respectfully submitted that the Summary Judgment of the District Court should be reversed and set aside for each of the reasons set out under foregoing *Argument-Points 1 to 9*, inclusive, and that this Court should hold that, *upon the record made on defendants' motions*, the patent-in-suit is *not* invalid on any of the grounds set out either in defendants' Motions or in the Findings, Conclusions or Judgment.

Respectfully submitted,

REGINALD E. CAUGHEY

LYON & LYON

LEONARD L. KALISH

attorneys for plaintiff-appellant.

Appendix A

Item	Date	Filings and Proceedings in District Court	Pages of printed Transcript of Record at which reproduced
1	8-27-48	filed: Complaint for patent-infringe- ment.....	2 to 8
2	8-27-48	issued Summons	
3	8-27-48	made JS-5 Report	
4	9-10-48	filed: Summons returned, served	
5	9-21-48	filed: Stipulation and Order (by Judge Yankwich) that defendants have to 10-20-48, to Answer	
6	9-28-48	filed: Interrogatories propounded by defendants.....	3 to 13
7	10- 8-48	issued: preliminary patent report on Complaint	
8	10-13-48	filed: Stipulation and Order (by Judge McCormick), that plaintiff has to and includ- ing 10-18-48 to answer or object to Inter- rogatories heretofore propounded by defend- ants.....	13 & 14
9	10-18-48	filed: Plaintiff's Answers to defendants' Interrogatories.....	14 to 19
10	10-18-48	filed: Interrogatories propounded by plaintiff.....	20 to 23
11	11- 2-48	filed: Answer of defendant Perkins, to plaintiff's Interrogatories.....	23 & 24
12	11- 2-48	filed: Answer of defendant Mitzel, to plaintiff's Interrogatories.....	25
13	11- 2-48	filed: Answer of defendant LaVere, to plaintiff's Interrogatories.....	26 & 27
14	11- 2-48	filed: Answer of defendant Drive-In Theatres of America, to plaintiff's Interroga- tories.....	28 & 29
15	11- 3-48	filed: defendants' Motion, returnable 11-15-48, to strike and dismiss the complaint or for more definite statement	
16	11-15-48	entered: Order (by Judge Yankwich) continuing, to 11-22-48, hearing on defend- ants' Motions to Strike, dismiss and for more definite statement	

Appendix A (continued)

Item	Date	Filings and Proceedings in District Court	Pages of printed Transcript of Record at which reproduced
17	11-17-48	filed: plaintiff's Memorandum in opposition to defendants' Motion to Strike, dismiss and for more definite statement	
18	11-22-48	entered: Order (by Judge Yankwich) denying defendants' Motion to Strike, dismiss and for more definite statement, and giving defendants 20 days to answer the complaint	
19	12- 7-48	filed: Answer of defendants.....	30 to 37
20	1-28-49	filed: defendants' Requests for Admissions.....	38 to 48
21	1-28-49	filed: defendants' Exhibits 1 & 2 (accompanying defendants' Requests for Admissions).....	163
22	2-23-49	filed: plaintiff's Response to defendants' Requests 1 to 5, and 8 to 13 and 20 to 24 for Admissions.....	49 to 53
23	2-23-49	filed: plaintiff's Objections to defendants' Requests 6 & 7 and 14 to 19 and 25 to 40.	53 to 58
24	2-23-49	filed: Notice of hearing on 3-7-49 upon plaintiff's Objections to certain of defendants' Request for Admissions and on plaintiff's motion for extension of time to respond to defendants' Requests for Admissions.....	59
25	2-23-49	filed: plaintiff's motion for extension of time to respond to certain of defendants' requests for admissions.....	60 & 61
26	2-23-49	filed: affidavit of Leonard L. Kalish in support of plaintiff's motion for extension of time to respond to certain of defendant's requests for admissions.....	62 to 67
27	2-23-49	filed: affidavit of Willis Warren Smith in support of plaintiff's motion for extension of time to respond to certain of defendants' requests for admissions.....	67 to 71
28	2-23-49	filed: affidavit of Reginald E. Caughey in support of plaintiff's motion for extension of time to respond to certain of defendants' requests for admissions.....	71 to 74

Appendix A (continued)

Item	Date	Filings and Proceedings in District Court	Pages of printed Transcript of Record at which reproduced
29	3- 1-49	filed: defendants' memorandum in opposition to plaintiff's motion for extension of time	
30	3- 5-49	filed: plaintiff's Reply to defendants' memorandum in opposition to plaintiff's motion for extension of time	
31	3- 7-49	entered: proceedings (before Judge Harrison) and Order continuing, one week, hearing on plaintiff's Objections filed 2-23-49 to certain of defendants' Requests for Admissions and on plaintiff's motion for extension of time to answer said Requests for Admissions	
32	3-14-49	entered: proceedings (before Judge Cavanah) on plaintiff's motion for extension of time to respond to certain of defendants' Requests for Admissions, heretofore filed, and entered Order granting plaintiff's motion for extension of time	
33	3-14-49	entered: Order (by Judge Cavanah) continuing to 3-21-49, 10 a.m., before Judge Cavanah, hearing upon plaintiff's Objections to certain of defendants' Requests for Admissions	
34	3-14-49	filed: affidavit of C. A. Miketta in support of defendants' memorandum in opposition to plaintiff's motion for extension of time	
35	3-21-49	entered: proceedings, hearing (before Judge Hall) and Order sustaining plaintiff's Objections to defendants' Requests for Admissions Nos. 7, 14, 16 to 19, and 25 to 40, inclusive, and overruling plaintiff's Objections to defendants' Request for Admission No. 15	
36	3-25-49	filed: Order (by Judge Hall) on plaintiff's Objections to defendants' Request for Admissions; sustaining plaintiff's Objections to Requests Nos. 7, 14 and 16 to 19 and 25 to 40, inclusive, and overruling plaintiff's Objections to defendants' Request No. 15, and giving plaintiff 20 days to respond to Request No. 15.....	(page 101 of original typewritten Record)

† (4- 9-49 Decision in *Loew's vs. Park-In*; 174 F.2d 547, handed down by First Circuit)

† this is not a docket-entry, but our own insertion, to show the chronologic relationship between the First Circuit's decision and the filings and proceedings in the case at bar

Appendix A (continued)

Item	Date	Filings and Proceedings in District Court	Pages of printed Transcript of Record at which reproduced
37	4-13-49	filed: plaintiff's Answer to defendants' Request for Admission No. 15 (this response being the affidavit of Samuel Herbert Taylor, Jr. dated 4-5-49, which affidavit was adopted by plaintiff as its Answer to Request No. 15).	75 to 77
†	(10-10-49)	<i>Certiorari denied in Park-In vs. Loew's</i> ;—338 U.S. 822)	
38	11- 3-49	entered: Order (by Judge McCormick) transferring cause to Judge Carter for all further proceedings. Counsel notified	
39	11-21-49	placed cause on setting calendar of 12-5-49 and mailed notices	
†	(12- 5-49)	<i>Rehearing, on certiorari, denied in Park-In vs. Loew's</i> ;—338 U.S. 896)	
40	12- 5-49	entered: proceedings (before Judge Carter) and Order, on defendants' request, continuing case to 12-19-49 for trial-setting	
41	12- 9-49	filed: defendants' Notice of Motion to Dismiss, returnable 12-19-49	
42	12- 9-49	filed: defendants' Motion for Dismissal, with points and authorities.....	77 to 85
43	12- 9-49	filed: affidavit of C. A. Miketta filed by defendants.....	85 to 87
44	12-14-49	filed: plaintiff's Memorandum of authorities in opposition to defendants' Motion for Dismissal	
45	12-19-49	entered: proceedings and hearing (before Judge Carter) on defendants' Motion for Dismissal, and entered stipulation and order that defendants' Motion for Dismissal may be deemed to be a motion for summary judgment on the question of validity, and that defendants shall have to and including 12-21-49 to file an amended or supplemental motion, and that motion stand submitted on the record together with briefs and affidavits to be filed; plaintiff to have to and including 1-6-50 to file its documents, and defendants to have to and including 1-16-50 to file reply documents.	88 & 89

† this is not a docket-entry, but our own insertion, to show the chronologic relationship between the denial of certiorari in the case of *Park-In vs. Loew's* and the filings and proceedings in the case at bar

Appendix A (continued)

Item	Date	Filings and Proceedings in District Court	Pages of printed Transcript of Record at which reproduced
46	12-22-49	filed: defendants' Motion for Summary Judgment.....	89 to 94
47	12-22-49	filed: defendants' Exhibits A1, A2, A3 & A4, accompanying their Motion for Summary Judgment, these Exhibits being copies of pages 847 & 848 of Volume I and of Plates I and II, opposite pages 272 & 273 of Volume XXI of the Fourteenth (1945) Edition of the Encyclopedia Britannica.....	276 to 282
		Exh A1: Encyclopedia Britannica, p. 847..	276
		Exh A2: Encyclopedia Britannica, p. 848..	278
		Exh A3: Encyclopedia Britannica, Plate I.	280
		Exh A4: Encyclopedia Britannica, Plate II.	282
48	12-22-49	filed: copies of 15 prior patents, as defendants' Exhibits B-1 to B-15, inclusive, accompanying their Motion for Summary Judgment.....	164 to 254
		Exh B- 1: Lempert 304,532 of 1884....	164 et seq
		Exh B- 2: Adams 366,290 of 1887....	170 et seq
		Exh B- 3: Mehling 612,117 of 1898....	174 et seq
		Exh B- 4: Nilson 760,236 of 1904....	178 et seq
		Exh B- 5: McKay 778,325 of 1904....	182 et seq
		Exh B- 6: Hale 800,100 of 1905....	194 et seq
		Exh B- 7: Harris 810,646 of 1906....	204 et seq
		Exh B- 8: White 828,791 of 1906....	212 et seq
		Exh B- 9: Ridgway 836,708 of 1906....	224 et seq
		Exh B-10: Freschl 897,282 of 1908....	228 et seq
		Exh B-11: Truchan 1,145,946 of 1915....	232 et seq
		Exh B-12: Hinman 1,164,520 fo 1915....	240 et seq
		Exh B-13: Keefe 1,238,151 of 1917....	244 et seq
		Exh B-14: Togersen 1,397,064 of 1921....	250 et seq
		Exh B-15: Geyling 1,798,078 of 1931....	254 et seq
49	12-22-49	filed: affidavit of C. A. Miketta in Support of defendants' Motion for Summary Judgment.....	95 to 103

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Item	Date	Filings and Proceedings in District Court	Pages of printed Transcript of Record at which reproduced
50	1- 4-50	filed: defendants' points and authorities in Support of their Motion for Summary Judgment	
51	1- 4-50	entered: Order on oral stipulation allowing plaintiff to and including 1-28-50 to file answer and points and authorities and affidavits in opposition to defendants' Motion for Summary Judgment, and that defendants have to and including 2-8-50 to file reply documents	
52	1-31-50	filed: defendants' memorandum in support of Motion for Summary Judgment	
53	1-31-50	filed: affidavit of C. A. Miketta that he had theretofore billed defendants \$2,685.70 for services and disbursements pertaining to action and has rendered unbilled services in the amount of \$375.00	104
54	1-31-50	filed: affidavit of Don A. Ladenberger in support of defendants' motion for costs and attorneys' fees, saying that defendants paid affiant \$281.75 in legal fees for services rendered that affiant has rendered unbilled services of the value of \$150.00	105
55	2- 6-50	entered: proceedings and stipulation and order that plaintiff have 10 days in which to serve and file its affidavit in opposition to defendants' Motion for Summary Judgment.	
56	2-16-50	filed: affidavit of Samuel Herbert Taylor, Jr., in opposition to defendants' Motion to Dismiss and in opposition to defendants' Motion for Summary Judgment	106 to 114
57	2-16-50	filed: affidavit of A. C. Boyle, in opposition to defendants' Motion for Dismissal and in opposition to defendants' Motion for Summary Judgment	115 to 128
58	2-16-50	filed: plaintiff's Exhibits 2 to 15, inclusive (accompanying affidavit of C. A. Boyle)	258 to 275
		Exh 2: Motion Picture Herald, 7-1-33	
		(pp 15-17 & 42): <i>The Drive-In theatre</i>	258 to 261

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Item	Date	Filings and Proceedings in District Court	Pages of printed Transcript of Record at which reproduced
58	2-16-50	(continued)	
		Exh 3: Everybody's Weekly, 5-16-48 (p 17):	
		<i>Growth of Drive-In Movies</i>	262
		Exh 4: Motion Picture Herald, 7-17-48 (pp 13 & 16):	
		<i>The Roof's the Sky and Sky is Drive-In Limit</i>	263 & 264
		Exh 5: Boxoffice, 7-17-48 (p 11): <i>50 Drive- Ins at Pittsburgh, as Outdoor Theatres Boom</i>	265
		Exh. 6: Boxoffice, 11-13-48 (p. 25): <i>Drive- Ins up from 100 to 761 in 20-month Build- ing Boom</i>	266
		Exh 7: Boxoffice, 6-11-49 (p 12):	
		<i>Drive-Ins Booming</i>	267
		Exh 8: Motion Picture Herald, 6-11-49 (p 15): <i>Bigger and Better Drive-Ins Boom</i> .	268
		Exh 9: Time, 6-20-49 (p 84):	
		<i>Cinema section</i>	269
		Exh 10: Boxoffice, 7-23-49 (p 42):	
		<i>Rodgers Says Drive-Ins creating New Patrons</i>	270
		Exh 11: Independent Film Journal, 7-30-49 (p 10): <i>Drive-Ins Create New Patrons for Motion Pictures</i>	271
		Exh 12: The Exhibitor, 8-24-49 (p 5):	
		<i>Speaking of Drive-Ins, Let's Give Proper Credit</i>	272
		Exh 13: The New Yorker, 10-1-49 (pp 20 & 21): <i>The Talk of the Town</i>	273
		Exh 14: Boxoffice, 10-8-49 (p 10):	
		<i>Drive-In Clearance Rights Placed Before the Court</i>	274
		Exh 15: cover of July 1937 program-booklet of Weymouth Drive-In Theatre (Massa- chusetts).....	275

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Item	Date	Filings and Proceedings in District Court	Pages of printed Transcript of Record at which reproduced
59	2-23-50	filed: defendants' memorandum in reply to plaintiff's affidavits filed in opposition to defendants' Motion for Summary Judgment	
60	3-27-50	entered: order (Judge Carter) granting defendants' Motion for Summary Judgment;— findings and judgment to be submitted within 10 days	
61	3-27-50	filed: Memorandum Decision (by Judge Carter) granting defendants' Motion for Summary Judgment.....	129 & 130
62	4- 1-50	lodged: defendants' proposed Findings 1 to 9 and proposed Conclusions 1 to 9	
63	4- 1-50	lodged: defendants' proposed summary judgment and decree	
64	4- 6-50	filed: plaintiff's Objections to proposed findings of fact and conclusions of law.....	130 to 132
65	4- 6-50	filed: plaintiff's memorandum in opposition to award of attorney's fees	
66	4-12-50	filed: defendants' memorandum in response to plaintiff's objections to proposed Findings of Fact, Conclusions of Law and Judgment, and suggesting additional Findings 10 & 11	
67	4-12-50	entered: Order (by Judge Carter) overruling plaintiff's objections to the proposed Findings 1 to 9 and to the proposed Conclusions, and adopting additional Findings 10 & 11 suggested by defendants on the same day, and settling form, and directing defendants to prepare revised findings, and allowing attorneys' fees in the sum of \$3400.00.....	132 & 133
68	4-13-50	filed: Findings of Fact and Conclusions of Law.....	133 to 140
69	4-13-50	entered: Summary Judgment and Decree (by Judge Carter) holding patent in suit invalid and dismissing Complaint and awarding attorneys' fees in the sum of \$3400.00....	140 to 142
70	4-14-50	made J.S. 6 report	

Appendix A (continued)

Item	Date	Filings and Proceedings in District Court	Pages of printed Transcript of Record at which reproduced
71	4-14-50	made final patent report	
72	4-18-50	filed: defendants' memorandum of tax- able costs and disbursements	
73	8-18-50	filed: defendants' notice of taxation of costs	
74	4-20-50	taxed costs in favor of defendants, at \$53.38. No objections. Docketed and en- tered costs	
75	5-11-50	filed: plaintiff's Notice of Appeal.....	143
76	6-16-50	entered: Order (by Judge McCormick) extending to July 20, 1950 the time for docket- ing appeal.....	(page 296 of original typewritten Record)
77	7-11-50	entered: Order (by Judge Carter) ex- tending to August 9, 1950 the time for docketing an appeal.....	(page 297 of original typewritten Record)
78	7-14-50	filed: plaintiff-appellant's Statement of Points under Rule 75-d.....	143 to 148
79	7-14-50	filed: plaintiff-appellant's Designation of Consents of Record on Appeal.....	148 to 151
80	7-20-50	filed: counter-Designation of Record of Appeal, submitted by defendant-appellees....	151 to 153
81	7-27-50	Certificate of the Clerk of the District Court.....	154 & 155

**FOOTNOTES of concordance between
claim-elements and specification & drawings**

- 1: the screen 12 shown, for instance, in Figures 1, 2, 3 & 4 of the drawings of the patent-in-suit
- 2: that is, there is a stall-way or *ramp* (or a pair of stall-ways or *ramps*) in front of and behind each drive-way (except possibly the front-most drive-way and the rear-most drive-way)
- 3: namely, the drive-ways 15, shown in Figures 1, 2, 3, 4, 5, 6, 7 & 8 of the drawings of the patent-in-suit, which adjoin and merge with the wedge-shaped car-aiming ramps
- 4: that is, tilted *away* from the screen, as illustrated, for instance, in Figures 3 to 8, inclusive, of the patent-in-suit
- 5: the stall-ways have come to be generally referred to (since Hollingshead's invention has gone into general use) as the "car-aiming ramps" or as the "car-tilting ramps" or as the "car-focusing ramps", or just "ramps" for short (see also note 12, below)
- 6: that is, a vertical angle-of-vision bounded by the two lines which extend from the eye of the car-occupant (in the front or back seat) through the lower and upper edges, respectively, of the wind-shield;— which vertical angle-of-vision will embrace the full vertical dimension of the screen
- 7: that is, the automobiles which are either on one of the forward car-aiming *ramps* or on one of the forward (depressed) drive-ways
- 8: the bulkhead 21, illustrated, for instance, in Figures 4 to 8, inclusive, of the drawings of the patent-in-suit
- 9: the projection booth 26, shown schematically or diagrammatically, in Figures 1, 2 & 3 of the drawings of the patent-in-suit
- 10: the sound reproducing means are loud-speakers (lines 71-75 & 78-79 of page 2 of the patent-specification)
- 11: i.e. "distributed at suitable points" (lines 74 & 75 of page 2 of the patent specification) on "said stall-ways" or ramps. One of the several illustrations of such "operative relation", pointed out in the specification of the patent-in-suit, is to have the *loud-speakers* "distributed at suitable points in the field" (lines 74 & 75 of page 2 of the patent-specification) so that the "operative relation to said stall-ways" in claims 5 and 6 is the distribution of the loud-speakers "at suitable points" on "said stall-ways" or car-aiming ramps which are the "suitable points in the field" specified in the parts of the specification above referred to
- 12: the "automobile tilting means" are the inclined or wedge-shaped *ramps* (see note 5, above) on which the car can be longitudinally tilted (see note 6, above) to varying degrees according to the need of and selection by the car-occupant
- 13: the car-aiming *ramps* towards the rear are generally higher than those toward the front, as illustrated, for instance, in Figures 3, 6 & 8 of the drawings of the patent-in-suit
- 14: the car-aiming *ramps* toward the rear have a lesser inclination, while the car-aiming *ramps* toward the front are at a steeper inclination to the horizontal, as illustrated, for instance, in Figures 3, 6 & 8 of the drawings of the patent-in-suit

Appendix B

Tabulation of Footnotes to Claim-Elements Showing claim-elements in each claim

Footnotes to claim-elements	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Claim 2:	*	*	*	*	*	*	*							
Claim 4:	*	*	*	*	*	*	*	*						
Claim 5:	*	*	*	*	*	*	*			*	*			
Claim 6:	*	*	*	*	*	*	*	*	*	*	*			
Claim 10:	*	*	*		*	*	*					*		
Claim 15:	*	*	*	*	*								*	*
Claim 16:	*		*	*	*	*	*						*	*
Claim 19:	*	*	*	*	*	*	*						*	*

Claims of Hollingshead patent, which are in issue

Superior numerals, in text of claims, refer to facing footnotes:

2) An outdoor theater comprising a stage¹, alternate² rows³ of curvilinear automobile drive-ways³ and curvilinear and vertically inclined⁴ automobile stall-ways⁵ arranged in front of the stage¹, said stall-ways⁵ being adapted to receive automobiles disposed adjacent to each other and facing the stage¹;—said automobile stall-ways⁵ being at a vertical angle⁴ with respect to the stage¹ such as will produce a clear angle of vision⁶ from the seat of the automobile, through the windshield⁶ thereof to the stage¹, free of obstruction from the automobiles ahead⁷ of it.

4) An outdoor theater comprising a stage¹, alternate² rows³ of curvilinear automobile drive-ways³ and curvilinear and vertically inclined⁴ automobile stall-ways⁵ arranged in front of the stage¹, said stall-ways⁵ being adapted to receive automobiles disposed adjacent to each other and facing the stage¹;—said automobile stall-ways⁵ being at a vertical angle⁴ with respect to the stage¹ such as will produce a clear angle of vision⁶ from the seat of the automobile, through the windshield⁶ thereof to the stage¹, free of obstruction from the automobiles ahead⁷ of it, and an abutment⁸ along the front boundary of each of said stall-ways⁵ for limiting the forward position of the automobiles therein.

Appendix B (continued)

5) An outdoor theater comprising a screen¹, alternate² rows³ of automobile drive-ways³ and vertically inclined⁴ automobile stall-ways⁵ arranged in front of the screen¹, said stall-ways⁵ being adapted to receive automobiles disposed adjacent to each other and facing the screen¹;—said automobile stall-ways⁵ being at an angle⁴ with respect to the screen¹ such as will produce a clear angle of vision⁶ from the seat of the automobile, through the windshield⁶ thereof to the screen¹, free of obstruction from the automobiles ahead⁷ of it, a motion picture projection booth⁹ in operative relation to said screen¹ and electrical sound reproducing means¹⁰ in operative relation¹¹ to said stall-ways⁵.

6) An outdoor theater comprising a screen¹, alternate² rows³ of automobile drive-ways³ and vertically inclined⁴ automobile stall-ways⁵ arranged in front of the screen¹ said stall-ways⁵ being adapted to receive automobiles disposed adjacent to each other and facing the screen¹;—said automobile stall-ways⁵ being at an angle⁴ with respect to the screen¹ such as will produce a clear angle of vision⁶ from the seat of the automobile, through the windshield⁶ thereof to the screen¹, free of obstruction from the automobiles ahead⁷ of it, an abutment⁸ along the front boundary of each of said stall-ways⁵ for limiting the forward position of the automobiles therein, and a motion picture projection booth⁹ in operative relation to said screen¹, and electrical sound reproducing means¹⁰ in operative relation¹¹ to said stall-ways⁵.

10) An outdoor theater comprising a stage¹, alternate² rows³ of automobile drive-ways³ and automobile stall-ways⁵ arranged in front of the stage¹, said automobile stall-ways⁵ being adapted to receive automobiles disposed in generally adjacent relation to each other and facing the stage¹, and means for longitudinally tilting¹² the automobiles in said stall-ways⁵ in order to produce a generally clear angle of vision⁶ from the seat of the automobile through the windshield⁶ thereof to the stage¹, generally, free of obstruction from the automobiles ahead⁷ of it.

Appendix B (continued)

15) An outdoor theater comprising a stage¹, alternate² rows³ of automobile drive-ways³ and automobile stall-ways⁵ arranged in front of the stage¹, said automobile stall-ways⁵ being adapted to receive automobiles disposed generally adjacent to each other, said automobile stall-ways⁵ being vertically inclined⁴ with respect to the horizontal, and successive stall-ways⁵, removed from the stage¹, being successively higher¹³, and successive stall-ways⁵, removed from the stage¹, being at successively lesser angles¹⁴ with respect to the horizontal.

16) An outdoor theater comprising exhibiting means¹ and space for spectators in front thereof, inclined⁴ means⁵ for supporting automobiles in such space in rows⁵ further and further from said exhibiting means¹, the supporting means⁵ in the rows⁵ further and further away from the exhibiting means¹ being higher¹³ and less inclined¹⁴ successively to an extent as will produce a clear line of vision⁶ from the seat of an automobile in a row⁵, through a windshield⁶ thereof to the exhibiting means¹, free of obstruction from the automobile ahead⁷ of it, and an automobile drive-way³ leading to and from said supporting means⁵ of a row⁵.

19) An outdoor theater comprising exhibiting means¹ and space for spectators in front thereof, inclined⁴ means⁵ for supporting automobiles in such space in rows⁵ further and further from said exhibiting means¹, the supporting means⁵ in the rows⁵ further and further away from the exhibiting means¹ being higher¹³ and less inclined¹⁴ successively to an extent as will produce a clear line of vision⁶ from the seat of an automobile in a row⁵, through a windshield⁶ thereof to the exhibiting means¹, free of obstruction from the automobile ahead⁷ of it, and an automobile driveway³ at the front and an automobile drive-way³ at the back of automobile supporting means⁵.

No. 12627

IN THE

United States Court of Appeals

FOR THE NINTH CIRCUIT

PARK-IN THEATERS, INC., a corporation,

Appellant,

vs.

SETH D. PERKINS, GEORGE E. MITZEL, LA VERE CO., a
corporation, and DRIVE-IN THEATERS OF AMERICA, a
corporation,

Appellees.

BRIEF FOR APPELLEES.

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FILED

NOV 1 1957

PAUL R. O'BRIEN

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IN THE

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PARK-IN THEATERS, INC., a corporation,

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SETH D. PERKINS, GEORGE E. MITZEL, LA VERE CO., a corporation, and DRIVE-IN THEATERS OF AMERICA, a corporation,

Appellees.

BRIEF FOR APPELLEES.

Introduction.

Appellant, Park-In Theatres, Inc. (plaintiff below) has appealed from a judgment rendered by the United States District Court for the Southern District of California holding plaintiff's patent No. 1,909,537 (issued to Hollingshead May 16, 1933) invalid. Appellant is a New Jersey corporation. The patent relates to what is now known as a drive-in motion picture theater. Appellees (defendants below) are Seth D. Perkins, George E. Mitzel, La Vere Company and Drive-In Theatres of America, inhabitants of California, and were charged with infringement of the patent.

Plaintiff joined with defendants in a motion for summary judgment, thereby authorizing the District Court to dispose of the issue of invalidity on the prior patents, ad-

missions, affidavits and pleadings and records in this case. After findings, conclusions and judgment had been filed, plaintiff appealed, denying that the District Court had authority.

It is submitted that the stipulation is binding and the judgment should be affirmed. The findings are based upon facts shown by the record and compel a judgment holding patent No. 1,909,537 invalid.

Brief Statement of the Case.

Appellant, plaintiff below, a New Jersey corporation, is a holding company which owns the Hollingshead patent No. 1,909,537 issued May 16, 1933 (expired May 16, 1950) entitled "Drive-In Theatre". In August, 1948, plaintiff filed its complaint against defendants, charging them with infringement of the patent. Defendants admitted jurisdiction, but denied infringement and denied validity of the patent by answer filed in December, 1948.

Before answer, defendants filed interrogatories to be answered by plaintiff [R 9-12] and in their answers thereto, plaintiff admitted that it did not know which, if any, of the defendants built, sold, or used the two open-air theaters specifically mentioned in the complaint [see answers to Interrogatories 11 and 12, R 19]. Since paragraphs 10, 11 and 12 of the complaint were believed to be sham, false and based on surmise only, defendants moved to strike these paragraphs of the complaint, but such motion to strike or for more definite statement was denied November 22, 1948.

NOTE: The parties shall be referred to as plaintiff and defendants. The references to the printed record, including Vol. II of Exhibits, shall be by R followed by page number. Emphasized matter in decisions is by defendants.

After answer was filed, defendants filed a request for admissions [R 38-48], answers thereto being returnable February 9, 1949. Plaintiff did not request an extension of time within this period, did not comply with Rule 36(a), and all of the admissions requested stood admitted by failure to deny or object. Two weeks later, on February 23, 1949, plaintiff filed a response to a part only of the requests, and objected to other requests [R 49-61]. Hearing was had on this belated response and objections on March 21, 1949, and Judge Pierson Hall allowed these belated responses and objections (Item 36 of Appendix A to plaintiff's Brief).

Defendants filed a motion for dismissal on December 9, 1949 [R 77-87]. After hearing on December 19, 1949, the Court entered an order, stating:

“It is stipulated and ordered that defendants' motion be deemed a motion for summary judgment, that it be deemed that plaintiff to have joined with defendant moved (*sic.* defendant's motion) for summary judgment, on the question of invalidity.” [R 88.]

Pursuant to this stipulation, made in open Court, and the minute order, defendants filed the motion for summary judgment [R 89-94] with supporting affidavit and copies of patents [R 95-104]. Although plaintiff obtained an extension of time to January 28, 1950, to file its memorandum in opposition, it did not do so. On February 16, 1950, plaintiff belatedly filed affidavits by Taylor [R 106-114] and Boyle [R 115-128].

After considering the pleadings, motion, patents and records in this case for over a month, the District Court rendered its memorandum decision March 27, 1950 [R 129-130] holding the patent invalid on several grounds.

Findings of fact and conclusions of law approved and adopted by the Court correctly state the basis for the decision [R 133-140]. The summary judgment entered [R 140-142] should be affirmed.

The judgment holds Hollingshead patent No. 1,909,537 invalid for lack of invention [Items 3 and 4, R 141] and this is clearly supported by Findings 4, 5 and 6 [R 134-135] and Conclusions 3 and 4. The judgment holds the patent invalid over the prior art [Item 5, R 141] and this is supported by Findings 5 and 6. The judgment holds the claims of the patent invalid for failure to properly define the invention [Items 6 and 7, R 141-142] and for functionality; this conclusion is supported by Findings 7, 8 and 9 [R 136-137].

The judgment awards costs and attorneys' fees to defendants [Item 8, R 142] and the basis of the award is clearly stated in Findings 10 and 11. This was not an abuse of discretion.

Unless plaintiff can show that the findings are in substantial error, the judgment must be affirmed. Actually, plaintiff does not contend that the findings are in error; plaintiff has some trivial objections to language but not to substance. Plaintiff's argument is directed to the conclusion reached by the District Court, but the facts compel a judgment of patent invalidity.

"Nowhere in appellant's brief is there a contention that the District Court's findings are erroneous; instead the argument is directed to the Trial Court's failure to find that the enumerated concepts constituted invention."

R. G. Le Tourneau Inc. v. Garwood Industries (C. C. A. 9), 151 F. 2d 432.

Brief Summary of Defendants' Argument.

It is submitted that no grounds for reversal exist and the judgment of the District Court must be affirmed.

1. Having agreed to a determination of the issue of invalidity by the Court upon the record, by stipulation in open Court, plaintiff is now estopped from questioning the authority of the District Court to render judgment.
2. The only questions before the Appellate Court are (A) whether there is evidence in favor of the necessary findings, and (B) whether there was error in the application of the law.
3. The Hollingshead patent in suit is for a combination of old elements, each performing its separate function, without a new and unobvious result. No invention is involved and the patent is invalid.
4. The findings are amply supported by fifteen prior art patents and four publications which were before the District Court and which were **not cited by the Patent Office** in allowing the Hollingshead patent. The prior art shows essentially the same elements in the same relation for the same purpose. The Hollingshead patent is invalid for lack of invention over the prior art.
5. Findings of fact, that the claims are indefinite and functional, are substantiated by the uncontroverted language of the patent. The claims are invalid because they attempt to cover a result or function; they are invalid for failure to define an invention as required by 35 U. S. C. A. §33.

6. **The District Court correctly applied the law** and found the claims invalid for lack of invention over the prior art and failure to comply with the provisions of 35 U. S. C. A. §33.
7. The record of this case, including plaintiff's opening brief, shows that the case was brought upon surmise and suspicion and not in good faith; that plaintiff has delayed proceedings by failure to adhere to Rules of Civil Procedure and by advancing unjustified, frivolous and sham contentions; that plaintiff has made misrepresentations as to facts; that these tactics have been prejudicial and costly to the defendants, and the District Court, in the exercise of its discretion, properly made findings of fact thereon and awarded costs and reasonable attorneys' fees to defendants.

The Patent in Suit.

The patent in suit does not relate to chemistry or problems of nuclear fission wherein a trial court cannot read patents or publications understandingly and perforce must rely upon expert testimony. Instead, this is a simple case involving people seated in an automobile and viewing a stage or screen. It makes no difference whether a spectator is seated upon a bench supported by the terraced ground, as in open-air theaters which have existed since the times of the Greeks, whether the spectator is seated in a chair supported by an inclined floor (as all of us are seated in a normal theater), or whether the spectator is seated on a chair or seat supported by the floor of an automobile, such automobile resting upon terraced ground. In each instance the chair or seat faces the stage or screen,

the seats are arranged in arcuate rows so as to face the stage, sufficient space is provided between the rows so as to permit spectators to move into a vacant position and the rows vary in elevation, the rows farthest from the screen being higher so as to permit spectators to see the stage without undue interference by others in front of the spectator.

“The patent involved in the present case belongs to this list of incredible patents which the Patent Office has spawned.”

Mr. Justice Douglas, concurring in *Great A. & P. Tea Co. v. Supermarket Equipment Co.*, 70 S. Ct. 127, 95 L. Ed. 118 (87 U. S. P. Q. 303 at 308).

Hollingshead filed his application for patent in August, 1932, and the patent issued within ten months, on May 16, 1933. The Patent Office, in a perfunctory action on this application, referred to one patent, No. 1,830,518 and to page 162 of “The Architectural Record” for February, 1931. **None of the prior art patents and publications relied upon by defendants and before the District Court were cited by the Patent Office.**

The patent relates to the construction of an open-air or outdoor theater, wherein any performance on a stage or screen can be viewed by people while seated in an automobile. Claims 2, 4, 5, 6, 10, 15, 16 and 19 were in issue.

Claim 2 reads as follows:

“An outdoor theater comprising a stage, alternate rows of curvilinear automobile drive-ways and curvilinear and vertically inclined automobile stall-ways arranged in front of the stage, said stall-ways being adapted to receive automobiles disposed adjacent to each other and facing the stage; said automobile stall-

ways being at a vertical angle with respect to the stage *such as will produce* a clear angle of vision from the seat of the automobile, through the windshield thereof to the stage, free of obstruction from the automobiles ahead of it.”

Certain claims, such as 5 and 6, add a motion picture projection booth and sound reproducing means; claims 4 and 6 include “an abutment along the front boundary of each of the stallways for limiting the forward position of the automobiles therein,” in the manner of a log curb at the edge of a road-side view-point.

During the hearing of December 19, 1949, plaintiff’s counsel stated that invention was not claimed in any single element described in the patent; this is an admission that the elements were individually old. However, plaintiff claimed invention in the combination stating:

“The admission was made that in the action the plaintiff would rely upon invention residing in the combination and not in any particular element.”
[R 130.]

The claims of the Hollingshead patent are for a combination of elements and, as stated by Mr. Justice Jackson in delivering the opinion of the Court in the *Great A. & P. Tea Co. v. Supermarket Equipment Corp.* case, *supra*:

“Court should scrutinize combination patent claims with a care proportioned to the *difficulty and improbability* of finding invention in an assembly of old elements. * * * A patent for a combination which only unites old elements with no change in their respective functions, such as is presented here, obviously withdraws what already is known into the field of its monopoly and diminishes the resources available to skillful men.”

The patent in suit is not for a cooperative arrangement of elements; it is for an aggregation. No new or unusual result is obtained, and the claims are invalid.

“* * * The conjunction or concert of known elements must contribute something; only when the whole in some way exceeds the sum of its parts is the accumulation of old devices patentable. Elements may, of course, especially in chemistry or electronics, take on some new quality or function from being brought into concert, but this is not a usual result of uniting elements old in mechanics. *This case is wanting in any unusual or surprising consequences from the unification of the elements here concerned*, and there is nothing to indicate that the lower courts scrutinized the claims in the light of this rather severe test.”

Great A. & P. Co. v. Supermarket Equipment Corp., 70 S. Ct. 127, 95 L. Ed. 118.

That such aggregations of old elements are not patentable has been established in numerous cases, among them being:

Grinnell Washing Machine Co. v. Johnson Co., 247 U. S. 426, 438;

Mettler v. Peabody Engineering Co., 77 F. 2d 918 (C. A. 9);

Bailey v. Sears Roebuck & Co., 115 F. 2d 904 (C. A. 9).

In *Eagle et al. v. P. & C. Hand Forged Tool Co.*, 74 F. 2d 918, this Court stated:

“*It is not necessary that all of the elements of the claim be found in one prior patent. If they are all found in different prior patents and no new functional*

relationship arises from the combination, the claim cannot be sustained. *Keene v. New Idea Spreader Co.*, 231 Fed. 701; see also *Keszthelyi v. Doheny Stone Drill Co.*, 59 F. (2d) 3.

“All of the elements of the patent in suit were present in the prior art and combining these elements to make the patented device did not involve invention. Widespread use of the device combining these elements old in the art is evidence of its utility but is not conclusive of its patentable novelty. *Adams v. Bellaire Stamping Co.*, 141 U. S. 539, 542; *McGhee v. LeSage & Co., Inc.*, 32 F. (2d) 875. Appellant’s patent was anticipated in the prior art and is therefore invalid.”

The above decision is particularly noted since it disposes not only of the question of invention but also shows the irrelevancy of plaintiff’s argument as to purported commercial success.

Prior History of Hollingshead Patent.

Plaintiff, as owner of the Hollingshead patent, has filed infringement actions against many owners and operators of open-air theaters, and by delaying tactics and the prejudicial effects of pending litigation and expenses imposed upon a defendant, plaintiff has obtained numerous consent decrees and judgments by default. Only two prior reported decisions are of interest.

In 1941 the late Judge Hollzer (Southern District of California) held the Hollingshead patent invalid as not relating to patentable subject matter coming within the statute (35 U. S. C. §31; 46 Stat. 376). This Court, on appeal, returned the case to the District Court for trial

(*Park-In Theatres, Inc. v. Rogers*, 130 F. 2d 745) and stated:

“* * * The lower court defines its conclusions to the proposition that the theater was not a patentable subject and, consequently, did not consider the question of invention, utility, etc.

“We conclude that the outdoor theater comes under a patentable classification, as a manufacture or machine

“* * * For that reason we reverse the decision *without doing more* than to hold that the structure in question is within a patentable classification.”

Judge Stephens dissented from the opinion. No further trial was had by the District Court.

The Hollingshead patent was held invalid by the 1st Circuit in the case of *Loew's Drive-In Theaters, Inc. v. Park-In Theatres, Inc.*, 174 F. 2d 547. Judges Magruder, Woodbury and Peters heard this appeal and picked up the study of this patent where it had been left by the 9th Circuit, stating:

“Furthermore, we concede that a drive-in theater structure may be the subject matter of a patent.” (Citing the 9th Circuit decision, *Park-In Theatres, Inc. v. Rogers*, 130 F. 2d 745.)

In a well-reasoned opinion, the 1st Circuit stated that findings relating to the general “idea”, advertising and purported commercial success were beside the point, since the primary question was whether the means disclosed by the patent require the exercise of the inventive faculty. On this question the **Judges unanimously found that the Hollingshead patent did not in-**

volve invention and that the claims were invalid. The essence of their thinking was stated as follows:

“* * * This arcuate arrangement of parking stalls in a lot is obviously *only an adaptation to automobiles of the conventional arrangement of seats in a theatre employed since ancient times* to enable patrons to see the performance while looking comfortably ahead in normal sitting position without twisting the body or turning the head. * * * But nevertheless there is nothing inventive in adapting the old arcuate arrangement of seats in a theatre to automobiles in a parking lot as the means to achieve horizontal pointing. Indeed the plaintiff does not seriously contend that there is.

* * * * *

“Certainly terracing the parking lot as the means for giving occupants of cars in the rearward rows of stalls a clear field of vision over the tops of cars in front is not inventive. It is again *only an adaptation of the familiar sloping floor of the conventional theatre*. Nor was the faculty of invention required to grade each row of stalls to an appropriate vertical angle, the rearward rows at successively lesser angles, to aim the cars in each row at the screen. *Anyone with even ordinary perception* would certainly realize that the vertical angles of the automobiles would have to be adjusted with reference to the height of the screen to achieve clear vision of the screen, and that on a terraced lot the rearward rows of stalls would have to be at successively lesser angles of upward inclination or else the occupants of cars in those rows would not only look over the tops of the cars ahead, but also, unless they craned their necks, look over the screen entirely. And grading the stalls longitudinally as the means for tilting cars in them vertically surely

does not call for inventive ingenuity. Making every allowance for viewing the patentee's contribution in the light of hindsight, it seems to us that grading the ground upon which an automobile is to be placed for the purpose of giving it the title desired would be *the first expedient to occur to anyone who put his mind to the problem.*

* * * * *

“* * * Again making full allowance for the unavoidable necessity of our viewing the means in the light of hindsight, we cannot believe that it called for invention to grade the floors of the stalls at different angles to permit the tilting of cars therein at the will of the driver. This expedient, we feel convinced, would readily occur to anyone skilled in the art of construction who put his mind to the problem.”

It is to be noted that the 1st Circuit held the Hollingshead patent **invalid without even referring to prior art patents or publications.** In the instant case the District Court had before it fifteen prior art patents which had not been considered by the Patent Office nor mentioned by the 1st Circuit. Among these prior patents are some which show a vehicle (an automobile) on an incline, the vehicle being pointed at a screen, the occupants observing a motion picture projected upon the screen. Other prior patents show means for tilting a car “to thereby raise and lower the open (front) end of the car, that the occupants thereof may see the different views thrown on the screen.”

The District Court did not find that the patent in suit did not relate to subject matter within the scope of the statute; the District Court was bound by the Rogers decision as to that point. The District Court did not limit

his findings and conclusions to those expressed by the 1st Circuit, but instead found the patent invalid on three grounds, two not even mentioned by the 1st Circuit. The District Court had the 1st Circuit decision before it and mentioned it, as is proper under the rules of comity, but also found the patent invalid on facts and reasons not stated by the 1st Circuit in its decision. There is no impropriety in mentioning a decision by a Court of Appeals; it would be improper not to mention such decisions.

Having Agreed to a Determination of the Issue of Invalidity by the Court Upon the Record and Papers in the Case, Plaintiff Is Estopped From Questioning the Procedure Employed.

Plaintiffs confused and confusing brief attacks the authority of the District Court to determine invalidity of the Hollingshead patent in suit (questions 6, 7 and 8 on p. 18 of plaintiff's Brief; alleged errors 25 and 26 of plaintiff's Brief; argument p. 27, etc.). This is a totally unjustifiable attack.

In the instant case, plaintiff, through its counsel and in open Court, **stipulated** that the question of validity or invalidity of the Hollingshead patent be submitted for determination by the District Court. This stipulation was memorialized by the Court in its minute order of December 19, 1949, and states:

“It is stipulated and ordered that defendants' motion be deemed a motion for summary judgment, that it be deemed that plaintiff to have joined with defendant moved for summary judgment, on the question of invalidity.

“It is stipulated and ordered that defendants have to, and including Dec. 21, 1949, to file a supplemental

or amended motion; that the motions stand submitted on the record, together with briefs, and affidavits to be filed; plaintiff to have to, and including Jan. 6, 1950, to file opposing documents and defendants to have to, and including Jan. 16, 1950, to file reply documents.” [R 88-89.]

Plaintiff joined with defendants in the motion for summary judgment in order to save time and have the issues of invalidity decided by the Court. Plaintiff’s counsel, by virtue of his employment, has authority to stipulate to all matters pertaining to procedure. (*Equitable Trust Co. of New York v. Washington-Idaho Water, Light and Power Co.*, 300 Fed. 601.) The District Court had the right to believe that the stipulation was made in good faith.

By joining with defendants in submitting the issue of invalidity for determination by the Court on a motion for summary judgment under Rule 56, plaintiff admitted that there was no genuine issue as to material facts and that the invalidity of the patent was simply a question of law. The Hollingshead patent in suit and the prior art patents were before the Court, and as later stated by plaintiff

“* * * the patents and publications are before the Court and speak for themselves * * *.” [R 131.]

Plaintiff voluntarily agreed to have the issue of validity determined by the District Court upon the affidavits, prior art patents, requests for admissions, admissions, interrogatories, and answers thereto, stipulations and other papers in this case. Plaintiff cannot play fast and loose with the Court; plaintiff cannot now repudiate the agreement made with the Court.

Admittedly, plaintiff did not waive its right to appeal, but on this appeal plaintiff should point out wherein the findings of fact are in error. Plaintiff cannot question the District Court's authority to decide the issue voluntarily submitted by both parties to the Court for determination.

“* * * and the question of validity of a patent is a question of law. *Mahn v. Harwood*, 112 U. S. 354, 358.”

Concurring opinion, *Great A. & P. Tea Co. v. Supermarket Equipment Corp.*, 70 S. Ct. 127, 95 L. Ed. 118.

The situation which arises when both plaintiff and defendant make a motion for summary judgment is the same as that when both parties move for a directed verdict. In *Beuttell v. Magone*, 157 U. S. 154, 15 S. Ct. 566, Mr. Justice White, in delivering the opinion of the Court, said:

“* * * As, however, *both parties* asked the court to instruct a verdict, both affirmed that there was no disputed question of fact which could operate to deflect or control the question of law. This was necessarily a request that the court find the facts, and the parties are therefore *concluded by the finding made by the court*, upon which the resulting instruction of law was given. The facts having been thus submitted to the court, we are limited to reviewing its action, to the consideration of the correctness of the finding on the law, and must affirm, if there be any evidence in support thereof.”

Cited with approval by this Court in

United States v. National Bank of Commerce of Seattle, 73 F. 2d 721 at 724.

“As *each party* submitted a motion without qualification for a directed verdict, the Court was authorized to grant one or the other of the motions, and error could not be assigned here, unless there was no substantial evidence to support the verdict.”

Laredo National Bank v. Gordon, 61 F. 2d 906, 907 (C. A. 5).

See also:

Williams v. Vreeland, 250 U. S. 295, 298, 39 S. Ct. 438;

Fidelity and Casualty Co. v. Martin, 66 F. 2d 438, 440 (C. A. 9);

Moore v. Fain, 251 Fed. 573 (C. A. 6);

La Crosse Plough Co. v. Pagenstecher, 253 Fed. 47 (C. A. 8);

Springfield Fire and Marine Ins. Co. v. National Fire Ins. Co., 51 F. 2d 714, 717 (C. A. 8).

The general rule as expressed by the above cases has been applied in instances where both plaintiff and defendant have filed motions for summary judgment on the pleadings, exhibits, documents and affidavits, the Courts holding that the cause is before the Court on the pleadings and documents referred to and should be determined. (*Hartford Accident and Indemnity Co. v. Flanagan*, 28 Fed. Supp. 314; *Amaya v. Stanolind Oil and Gas Co.*, 64 Fed. Supp. 181, affirmed 158 F. 2d 544, cert. denied 331 U. S. 808, 67 S. Ct. 1191, rehearing denied 331 U. S. 867, 67 S. Ct. 1530.)

It is to be noted that by stipulating to a determination of invalidity by the Court and joining with defendants in

their motion for summary judgment, plaintiff also waived trial by jury. A party can waive trial by jury by conduct and agreement. (*Tennessee Coal, Iron & R. Co. v. Muscoda*, 137 F. 2d 176, affirmed 321 U. S. 590, 64 S. Ct. 698, rehearing denied 322 U. S. 771, 64 S. Ct. 1257; also *In re Malloys Estate*, 278 N. Y. 429, 17 N. E. 2d 108.)

The present case does not involve technical subject matter; all of us have sat in automobiles in parking areas by the side of the road and enjoyed a scenic view or children at play. The District Court could understand the patent in suit and the prior patents from reading and comparing them. Only a question of law remained and it is submitted that the District Court properly applied the law.

Therefore, most of the contentions made by plaintiff in its brief need not be answered, since they are unfounded, without basis, and need not be considered by this Court. As stated by Mr. Justice Holmes:

“A judgment entered on a verdict directed by the Court, after both parties had moved for such direction, must stand, unless the Court’s ruling is wrong as a matter of law.”

Sena v. American Turquoise Co., 220 U. S. 497, 31 S. Ct. 488.

THE ONLY QUESTIONS BEFORE THE APPELLATE COURT ARE WHETHER THERE IS EVIDENCE IN FAVOR OF THE NECESSARY FINDINGS AND WHETHER THERE WAS ERROR IN THE APPLICATION OF THE LAW.

Findings of Fact Signed by the District Court Are Presumptively Correct.

Among the many frivolous contentions advanced by plaintiff is that the findings of fact and conclusions of law (based upon the District Court's Memorandum Decision R 129] were prepared by defendants' counsel and this, for some unexplainable reason, makes such findings improper when signed by the Court (Plaintiff's Br. p. 37).

Obviously, findings of fact and conclusions of law may be prepared by the trial judge alone, or with the assistance of his law clerk and his secretary, or from a draft submitted by counsel

“* * * It is no more appropriate to tell a trial judge he must refrain from using or requiring the assistance of able counsel, in preparing his findings, than it would be to tell an appellate judge he must write his opinions without the aid of briefs and oral argument.”

Schilling v. Schwitzer-Cummins Co., 142 F. 2d 82 (C. A. D. C.).

“* * * The fact that opposing counsel has prepared and submitted findings of fact for the consideration of the trial judge, and that such findings of fact may have been adopted by the trial judge as his findings, in no way detracts from their legal force or effect.”

Simons v. Davidson Brick Co., 106 F. 2d 518 (C. A. 9), cited with approval by C. A. 6 in *O'Leary v. Liggett Drug Co.*, 150 F. 2d 656.

“In cases requiring findings of facts it is the better practice to insist that counsel for the prevailing party submit to the court and to the adverse party proposed findings.”

Societe Suisse Pour Valeurs de Metaux v. Cummings, 69 App. D. C. 157, 99 F. 2d 387, 390.

The findings and conclusions are presumptively correct. (*National Biscuit Co. v. Crown Baking Co.*, 102 F. 2d 422 (C. A. 1).) Plaintiff is forced to rely upon devious and frivolous arguments, because the findings correctly state the facts as shown by the record and compel the holding of invalidity reached by the District Court.

The Hollingshead Patent Must Be Adjudged by Its Claims.

Realizing that the claims of the patent in suit are invalid, plaintiff attempts to becloud the issue by talking about things which the claims do not include. For example, plaintiff continually refers to “*backwardly inclined ramps*,” whereas this is **not disclosed in the claims**.

This Court has repeatedly recognized and followed the generally accepted rule and succinctly stated it:

“A patented invention, whether used or unused, is measured, not by the specifications and drawings, but by the claims of the patent.”

Reinharts Inc. v. Caterpillar Tractor Co., 85 F. 2d 628 (C. A. 9).

Plaintiff cannot rely upon drawings of the patent for which he has failed to claim. Patent drawings

“* * * are of no avail where there is an entire absence of description of the alleged invention or a failure to claim it.”

Permutit Co. v. Graver Corp., 284 U. S. 52 at 60.

“* * * Congress requires of the applicant ‘a distinct and specific statement of what he claims to be new, and to be his invention.’ Patents, whether basic or for improvements, must comply accurately and precisely with the statutory requirements as to claims of invention or discovery. The limits of a patent must be known for the protection of the patentee, the encouragement of the inventive genius of others and the assurance that the subject of the patent will be dedicated ultimately to the public. The statute seeks to guard against unreasonable advantages to the patentee and disadvantages to others arising from uncertainty as to their rights. The inventor must ‘inform the public during the life of the patent of the limits of the monopoly asserted, so that it may be known which features may be safely used or manufactured without a license and which may not.’ The claims ‘measure the invention.’”

General Electric Co. v. Wabash Appliance Corp., et al., 304 U. S. 364 at 369.

It is submitted that the claims do not define an invention and are invalid because they are for an aggregation of old elements in which each element simply performs the

same old and expected function, without any new or unexpected result.

“* * * There was no new function performed by the combination. The function performed was merely to indicate the location of the rotor blades, as in prior devices. Hence it was not patentable as a combination of old elements. *Mettler v. Peabody Engineering Co.*, 77 F. 2d 56; *Eagle et al. v. P. & C. Hand Forged Tool Co.*, 74 F. 2d 918; *Grinnell Washing Machine Co. v. Johnson Co.*, 247 U. S. 426, 438. What we have here is an aggregation of parts assembled by mere mechanical skill.”

Bailey v. Sears, Roebuck & Company, 115 F. 2d 904 (C. A. 9).

The Patent in Suit Was Before the Court.

In attempting to confuse the issue, plaintiff misrepresents the facts by stating that the District Court did not study and compare the patent in suit.

A copy of the Hollingshead patent No. 1,909,537 was attached to defendants' motion for summary judgment [R 89] and an extra copy of said patent was given the court on December 19, 1949, for his use. In accordance with local rules of Court, all documents are filed in duplicate, a carbon copy being used by the Court while the original is retained by the clerk when not in use. Counsel for defendants hereby certifies that he has personally inspected the Court's copy of the file in this case in the presence of the Court (Judge James M. Carter) and the Court's sec-

retary, and a copy of the patent in suit, No. 1,909,537, was found in such file. If, as plaintiff represents, a copy of the patent in suit was not included in the record as sent up to the Court of Appeals, the absence of the patent from the record is inadvertent and accidental.

Plaintiff is hereby challenged to obtain the facts from the District Court in writing and append such facts to plaintiff's reply brief. Plaintiff should apologize to the Court for asserting that the memorandum decision [R 129] was made without a study of the patent (Plaintiff's Br. pp. 35-36).

Furthermore, the patent in suit was proffered by plaintiff [§4 of Complaint, R 3] and the patent was thus offered and submitted to the Court. Plaintiff joined with defendant in asking the Court to determine invalidity on the record, exhibits and affidavits. Counsel for plaintiff **knew** that a copy of the patent in suit was a part of the record. Certainly plaintiff would not have asked the District Court to hold valid a patent which the Court did not have before it.

The false and unjustified assertions made by plaintiff emphasize the evasive, dilatory and unjustified tactics employed by plaintiff throughout the case to the prejudice and harassment of defendants, and which caused the Court, in its discretion, to make Finding 11 and award attorneys' fees to defendants.

Presumption of Validity Is Overcome by Pertinent Prior Art Not Cited by Patent Office.

The patent in suit was issued inadvertently and only one patent and one publication were cited by the Patent Office. Here, the District Court had before it Exhibits A-1 to A-4 [R 276-282] and fifteen prior patents, Exhibits B-1 to B-15 [R 164-255] which were not referred to by the Patent Office. These prior patents and publications show the same elements, in the same normal relationship, for the same purpose as in the Hollingshead patent.

In *Mcttler v. Peabody Engineering Corp. et al.*, 77 F. 2d 56, this Court said:

“The presumption of validity which attends the issuance of Letters Patent by the Patent Office is overcome in this case by the clear evidence of anticipation in the prior art which was not cited or considered by the Patent Office when the application for appellant’s patent was passed on. See *Elliott & Co. v. Youngstown Car Mfg. Co.*, 181 Fed. 346 (C. C. A. 3); *American Soda Fountain Co. et al. v. Sample*, 130 Fed. 145 (C. C. A. 3).”

This rule has been repeated by this Court on numerous occasions and is followed by all circuits. For example see:

- McClintock v. Gleason*, 94 F. 2d 115 (C. A. 9);
- Sidney Hollis Boynton v. Chicago Hardware Co.*, 77 F. 2d 799 (C. A. 7);
- Market Soda Fountain Co. v. Sample*, 130 Fed. 145;
- Stoody Co. v. Mills-Alloys, Inc.*, 67 F. 2d 807 (C. A. 9);
- Elliott & Co. v. Youngstown Car Mfg. Co.*, 181 Fed. 345;
- Westinghouse Electric v. Toledo, etc.*, 172 Fed. 371.

“* * * But the presumption is overthrown beyond all reasonable doubt by the disclosures in evidence before this court which were unknown and undisclosed to the Patent Office. *Alexander Anderson, Inc. v. Eastman*, 16 Fed. Supp. 515.”

Barkeij v. Ford Motor Company, 22 Fed. Supp. 1011.

Keeping in mind the admonition of the Supreme Court of the United States to scrutinize combination patent claims with care, the teachings of the prior art patents preclude reliance on a “presumption” of validity and compel a holding of invalidity.

Findings of Fact 4, 5 and 6 Correctly State Uncontroverted Facts Which Necessitate a Judgment That the Patent in Suit Is Invalid.

During the hearing of December 19, 1949, plaintiff's counsel stated that invention was not claimed in any single element described in the patent; this is an admission that the elements were individually old. However, plaintiff claimed invention in the combination, stating:

“The admission was made that in the action the plaintiff would rely upon invention residing in the combination and not in any particular element.” [R 130.]

Defendants' request for admissions 1, 2, 3, 4, 5, 8, 9 and 12 [R 38-41] and the answers thereto [R 49-52] show that all of the elements, in substance, were admitted as old, with some minor argumentative quibbling. The combination of an outdoor stage with rows of means, for occupancy by spectators, arranged in front of the stage was also old (Request 9). Certainly there is no novelty in the

combination of a motion picture screen, projector and sound reproducing means.

Each of the elements of the claims of the Hollingshead patent performs its normal function. A driveway is still a driveway; a stallway is only an area adapted to receive an automobile; the seat of an automobile supports a person in the same way as a seat in a theater; an incline tilts an automobile upon it as any schoolboy would expect; a person seated in an automobile gazes through the windshield with eyes given him by Nature; "any conventional sound reproducing and motion picture projecting means may be employed" (patent p. 2, lines 78-80), and the operation of the projector and reproducing means does not affect and is not affected by any of the other elements. The inclination of a stallway does not cause any difference in the driveway nor in the operation of the projector.

In view of the law, as expressed by the Supreme Court in the recent *Great A. & P. Tea Co.* case, referred to on pages 7 to 9 of this brief, and repeatedly stated by this Court, the District Court correctly held that no invention was involved in again combining these old elements, since no new or unobvious result was obtained.

Plaintiff does not and cannot point to a single statement in Findings of Fact 5 and 6 [R 135] which is not justified by the record before the District Court. These uncontradicted findings require the Court to affirm the judgment of invalidity.

There is no invention in the idea of having people sit in a vehicle pointed at a screen upon which motion pictures are projected, because this is clearly shown in Patent No. 778,325 [Exhibit B-5; R 182] wherein, as shown in Fig. 2 of the patent, a vehicle 15 is pointed toward a screen

39 and proscenium 41 while motion pictures are projected upon the screen and proscenium by projector 37. It is to be noted that the vehicle is upon a “backwardly inclined” ramp. In patent No. 1,238,151 [Exhibit B-31; R 244] vehicles 17, in side-by-side relation, are pointed toward a common screen 14 upon which motion pictures are projected.

Although Finding of Fact 5 could be supported by facts coming within the Court’s judicial notice, it is conclusively supported by facts of record in this case.

- A. It was customary to use inclined or sloping floors in theaters. This is clearly shown in Exhibit B-1 [R 166] and illustrated in Exhibit A-1 to A-4 [R 276-282].
- B. It was customary to arrange seats in an arcuate arrangement, the seats facing the stage or screen. This is clearly shown in Fig. 1 of Exhibit B-1 [R 164] and illustrated by the stadia and open-air amphitheatres of the 1929 Edition of the Encyclopædia Britannica [R 277-282].
- C. It was customary to terrace the floor or ground as a means of permitting occupants of rearward terraces a clear view. The terracing shown in the Lempert patent [R 166] is such that

“* * * each member of the audience may enjoy an unobstructed view of both the stage and audience.” [R 168, p. 1, lines 22-24 of Exhibit B-1.]

“In England, at Silchester, in Hampshire, there is an example in which the seats were placed largely upon banked up earth.” [R. 276, p. 847, Exhibit A-1.]

Seats of the vehicle illustrated in Exhibit B-3 [R 174] are arranged upon steps or terraces

“* * * thus giving an opportunity for the passengers on the rear seats to have an unobstructed view over the heads of those in front.”
[R. 177, lines 28-35.]

People seated in the vehicle of Patent No. 1,145,946 [Exhibit B-11; R 232] having an inclined floor 21, view motion pictures upon screen 23.

Exhibit B-12 [R 240] shows that it is old to provide chairs capable of attachment to sloping floors in theaters. Means for tilting all or a part of a floor of a hall are not new and are shown in Exhibit B-2 [R 170—note lines 67-68]. There is no invention in tilting a chair or seat backwardly, as evidenced by Exhibit B-10 [R 228].

There is no invention in providing a terraced floor for seats where such floor is tilted “backwardly” (downwardly away from the stage) since that is clearly shown in Exhibit B-14 [R 250] where the terraced floor 15 is “backwardly” inclined so “that the line of sight from any particular point to all points of the screen would not be obscured by persons forwardly from a point of observation” [p. 1, col. 2, lines 87-94, R 252].

The above exhibits show that there is substantial evidence in support of the finding. Seats on terraces can be benches, individual seats, or divans. Many children are brought to outdoor, Greek-type theaters and Punch and Judy shows in perambulators, etc., and watch the performance while seated in their vehicle. People have watched races while seated in their cars. The Court properly found that:

“* * * The adoption of the teachings of the prior art and normal theater construction to a theater

wherein spectators sit on seats in an automobile instead of seats directly on the floor or ground, is within the skill of anyone who puts his mind on the problem. The selection and aggroupment of old elements for substantially the same purpose would readily occur to anyone skilled in the art of construction without an exercise of the faculty of invention.” [R 135.]

No objection has been made by plaintiff to Finding No. 6, which points to some additional prior art patents. Your Honors’ attention is specifically drawn to Exhibit B-9 [Patent No. 86,708; R 224] wherein people seated in a car or vehicle watch pictures projected upon a screen. The patent states that

“* * * the car may be tipped that the open or outlook end of the car may sweep up and down or laterally with relation to the screen, * * *.”
[lines 21-24].

Is this not the mechanical and functional equivalent of “means for longitudinally tilting the automobiles in said stallways in order to produce a generally clear angle of vision”? (Hollingshead claim 10.)

It is to be noted that claim 3 of Exhibit B-9 covers a combination of:

a screen,

means for projecting pictures on the screen,

a car having an open end,

seats for passengers in the car,

and means to tip the car “to thereby raise and lower the open end of the car that the occupants thereof may see the different views thrown on the screen.”

In view of the antiquity of this combination, the lack of invention in any element of the combinations claimed in the patent in suit, and the rules of law enunciated by this Court and the Supreme Court of the United States, the District Court was correct in finding the patent in suit invalid.

A Patent for an Idea or Result Is Invalid and Not Within the Contemplation of the Statute.

It is to be remembered that a patent cannot cover an idea or result, but only a construction or specific means whereby a result can be obtained.

“The use and purpose sought to be accomplished by the Hall patent was the radial expansion of the dress form but it is well settled by the authorities that the end or purpose sought to be accomplished by the device is not the subject of a patent. The invention covered thereby must consist of new and useful means of obtaining that end. **In other words, the subject of a patent is the device or mechanical means by which the desired result is to be secured.** *Carver v. Hyde*, 16 Pet. 513, 519; *LeRoy v. Tatham*, 14 How. 156; *Corning v. Burden*, 15 How. 252; *Barr v. Duryee*, 1 Wall. 531; *Fuller v. Yentzer*, 94 U. S. 288.”

Knapp v. Morss, 150 U. S. 227.

“In considering them it is important to bear in mind that the patent is for a combination merely, in which all the elements were known and open to public use. No one of them is claimed to be the invention of the patentee. * * * It is simply a new combination of old and well-known devices, for the accomplishment of a new and useful result, that is claimed to be the invention secured by the patent. * * *

But this result or idea is not monopolized by the patent. The thing patented is the particular means devised by the inventor by which that result is attained, leaving it open to any other inventor to accomplish the same result by other means.”

Electric R. R. Signal Co. v. Hall Ry. Signal Co.,
114 U. S. 87, 29 L. Ed. 96.

“Invention must be found in the means, not the result.”

Trico Products Corp. v. Rico Mfg. Co., 45 F. 2d
599.

Also see:

Measuregraph Co. v. Grand Rapids Show Case Co.,
29 F. 2d 263, 275 (C. A. 8);

J. I. Case Co. v. Gleaner Harvester Corp., 135 F.
2d 553 (C. A. 8);

Flint v. G. R. Leonard & Co., 27 F. 2d 215 (C.
A. 7).

Inventive Ingenuity Is Not Involved in Combining the Old Elements of the Prior Art. The Claims Are Invalid.

The means used to obtain a result must convincingly show the exercise of invention, and not simply mechanical adaptation. This Court, in *Wilson Western Sporting Goods Co. v. George E. Barnhart*, 81 F. 2d 108, stated the rule as follows:

“The real and practical dangers resulting from granting or approving a patent for mere mechanical improvements were pointed out in vigorous language in the case of *Atlantic Works v. Brady*, 107 U. S. 192, 199-200;

“* * * To grant a single party a monopoly of every slight advance made, except where the exercise of invention somewhat above ordinary mechanical or engineering skill is distinctly shown, is unjust in principle and injurious in its consequences.

“The design of the patent laws is to reward those who make some substantial discovery or invention, which adds to our knowledge and makes a step in advance in the useful arts. Such inventors are worthy of all favor. **It was never the object of those laws to grant a monopoly for every trifling device, every shadow of a shade of an idea, which would naturally and spontaneously occur to any skilled mechanic or operator in the ordinary progress of manufactures.**’

“* * * assuming for the moment that the Lane tool has such advantages it would not on that account be patentable. It is not sufficient that the device be new and useful. It must also be an invention or discovery.”

Lane Wells Co. v. M. O. Johnston Oil Field Service, 181 F. 2d 707 (C. A. 9).

“There must be ingenuity over and above mechanical skill.”

Schick Service Inc. v. Jones, 173 F. 2d 969 (C. A. 9).

To the same effect:

Keszthelyi v. Doheny Stone Drill Co., 59 F. 2d 3, 8 (C. A. 9);

Toledo Pressed Steel v. Standard Parts Inc., 307 U. S. 350.

That the means claimed in the patent must involve a high degree of inventive ingenuity is repeatedly stressed in decisions of the Supreme Court. See:

Hotchkiss v. Greenwood, 114 U. S. 1, 11;

Phillips v. Detroit, 111 U. S. 604;

Saranac Automatic Machine Corp. v. Wirebounds,
282 U. S. 704, 713;

Concrete Appliances Co. v. Gomery, 269 U. S. 177,
185;

Cuno Corp. v. Automatic Devices, 314 U. S. 84, 91;

Toledo Pressed Steel v. Standard Parts, Inc., 307
U. S. 350.

All of the elements were available. Hollingshead did not invent a single element. The use of an outdoor, elevated screen to receive pictures projected from a booth, such screen being in such position as to be visible to people in automobiles, is shown in Exhibit B-15 [R 255]. Constructions showing an automobile on an incline, the occupants watching pictures projected upon a screen are shown in Exhibit 5 [182-183]. Tilting of a car to enable occupants to view projected pictures is also shown [R 224, 226].

Certainly the District Court was correct in concluding that inventive ingenuity, warranting a patent monopoly, was not exercised by Hollingshead. The widening and adaptation of inclined or terraced floors of outdoor theaters to accommodate automobiles is simply a change of degree and not of substance. This Court has stated, on November 16, 1950, in the case of *Palmer et al. v. Kaye, et al.*, F. 2d (87 U. S. P. Q. 350).

“* * * Such a result would appear to come from a mere change in form, manifesting a difference in degree only.

“We think the improvement is one within the rule stated in *Cuno Corp. v. Automatic Devices Corp.*, 314 U. S. 84, 90, as follows: ‘We may concede that the functions performed by Mead’s combination were new and useful. But that does not necessarily make the device patentable. Under the statute 35 U. S. C. A. §31, §4886, the device must not only be “new and useful,” it must also be an invention or “discovery”. *Thompson v. Boisselier*, 114 U. S. 1, 11, 5 S. Ct. 1042, 1047, 29 L. Ed. 76. Since *Hotchkiss’ Ex’x v. Greenwood*, 11 How. 248, 267, 13 L. Ed. 683, decided in 1851, it has been recognized that if an improvement is to obtain the privileged position of a patent **more ingenuity must be involved than the work of a mechanic skilled in the art * * *** That is to say the new device, however useful it may be, must reveal the flash of creative genius not merely the skill of the calling. If it fails, it has not established its right to a private grant on the public domain.’

“We think that what Palmer did here was not invention, but a mere exercise of the skill of the calling, and an advance plainly indicated by the prior art.”

A particularly high standard of inventive ingenuity must be clearly established in the case of combination patents, as stated by the Supreme Court in *Great A. & P. Tea Co. v. Supermarket Equipment Corp.*, 70 S. Ct. 127, referred to heretofore. The admissions and prior art patents convincingly show that no inventive ingenuity was required to rehash these old, well-known elements and adapt them to modern conditions. Whether a spectator walks into his seat in a theater, skates into the aisle, or rides in on an automobile is not an inventive difference.

It is submitted that the findings made by the Court are correct. The District Court correctly applied the rules of law hereinabove referred to and properly concluded that

1. There was no invention in the alleged combination.
2. The patent was anticipated by and did not inventively distinguish from the prior art.
3. The claims were invalid.

The Claims Are Invalid Because They Attempt to Cover a Result or Function.

Item 4 of the memorandum decision [R 129], Finding of Fact 9 [R 137], Conclusion of Law 7 [R 139], and Item 7 of the judgment [R 142] relate to the functionality of the claims. The great weight of authority requires that claims be held invalid when the claims do not define a structure except in terms of result or function.

Plaintiff does not point to any error in Finding 9, which correctly states

“* * * the words ‘such as will produce a clear angle of vision’ (claims 2, 4, 5 and 6) and ‘to produce a generally clear angle of vision’ (claim 10), and ‘to an extent as will produce * * *’ (claims 16 and 19) are functional statements of a desired objective but do not state by what means and how such objective is to be attained.” [R 137-138.]

All of these phrases relate to the “means” for tilting the cars. For example, claim 10 states:

“* * * and means for longitudinally tilting the automobiles in said stallways in order to produce a generally clear angle of vision from the seat of the automobiles * * *.”

The claim does not state where the means are located; it does not state what the means are; it does not state whether all of the means act simultaneously or individually and separately; it does not state in what direction the tilt is to be made; it does not define a cooperative relation between the "means" and the car or between the means and the screen. It simply defines a "means" by its ultimate result. It is equivalent to the description given in claim 3 of expired patent No. 836,708 [R 226] which called for "means * * * to tip the car to thereby raise and lower the open end of the car that the occupants thereof may see the different views thrown on the screen."

"As we read all these claims they are merely a description in the most general terms of the machine patentees had in mind. If they achieved patentable invention, as the jury and trial court believed, they have failed to describe it with the precision required by Sec. 33, 35 U. S. C. A., as interpreted by the *Halliburton* case, *supra*."

Refrigeration Patents Corporation v. Stewart-Warner Corporation (C. A. 7), 159 F. 2d 972, cert. den. 331 U. S. 834, 67 S. Ct. 1515.

To the same effect:

Rice v. Nash-Kelvinator Corp. (C. A. 6), 150 F. 2d 457.

The instant case comes squarely within the rule stated by the Supreme Court in *Halliburton Oil Well Cementing Co. v. Walker*, 329 U. S. 1, 67 S. Ct. 6, wherein it was said:

"* * * The language of the claim thus describes this most crucial element in the 'new' combination

in terms of what it will do rather than in terms of its own physical characteristics or its arrangement in the new combination apparatus. We have held that a claim with such a description of a product is **invalid** as a violation of Rev. Stat. 4888. *Holland Furniture Co. v. Perkins Glue Co.*, 277 U. S. 245, 256-257; *General Electric Co. v. Wabash Electric Co.*, *supra*. We understand that the circuit court of appeals held that the same rigid standard of description required for product claims is not required for a combination patent embodying old elements only. We have a different view.”

“The Court of Appeals for the Ninth Circuit relied on the fact that the description in the claims is not ‘wholly’ functional. 80 F. 2d 958, 963. But the vice of a functional claim exists not only when a claim is ‘wholly’ functional, if that is ever true, but also when the inventor is painstaking when he recites what has already been seen, and then uses conveniently functional language at the exact point of novelty.”

General Electric Co. v. Wabash Co., 304 U. S. 364, 371.

“So read, the claims are but inaccurate suggestions of the functions of the product, and fall afoul of the rule that a patentee may not broaden his claims by describing the product in terms of function. *Holland Furniture Co. v. Perkins Glue Co.*, 277 U. S. 245, 256-258; *General Electric Co. v. Wabash Corp.*, *supra*, at 371-372.”

United Carbon Co. v. Binney Co., 317 U. S. 228, 234.

Since the days of *O'Reilly v. Morse*, 15 How. 62 (56 U. S. 62) claims to a result, function or effect have been held invalid:

“* * * That is to say—he claims a patent, **for an effect** produced by the use of electromagnetism distinct from the process or machinery necessary to produce it. The words of the acts of Congress above quoted show that no patent can lawfully issue upon such a claim. For he claims what he has not described in the manner required by law. And a patent for such a claim is as strongly forbidden by the act of Congress, as if some other person had invented it before him.”

It is submitted that the District Court properly applied the law to the uncontroverted facts and correctly found that the claims were invalid in that functional language has been used, rendering the claims unduly broad, ambiguous, and in violation of the provisions of 35 U. S. C. A. 33, R. S. 4888.

The Claims of the Hollingshead Patent Are Invalid Because They Are Indefinite.

In the memorandum decision [R 129] the District Court held

“(3) Patent in suit is invalid for the reason it fails to define and claim invention in such full, clear, concise and exact terms as are required by 35 U. S. C. A. Sec. 33 (Rev. Statutes 4888).”

Findings of Fact 7 and 8 [R 136 and 137], Conclusion of Law 6 [R 139] and Item 6 of the summary judgment [R 141] relate to this aspect of the case. Plaintiff does

not like these findings and conclusions, but fails to point out wherein they are in error.

No one questions the essential importance of the many variables enumerated in Finding of Fact 8. For example, assuming that an automobile is on a “backwardly inclined” slope having an angle of 20° , will the occupants see a “stage” whose floor is on a level with the front wheel of the automobile? How far from the automobile should such stage be placed? **ACTUALLY, THE OCCUPANTS WOULD NOT SEE THE STAGE UNLESS IT WERE AT A MATERIALLY HIGHER ELEVATION THAN THE SEAT IN THE CAR. BUT THIS IS NOT STATED IN THE CLAIMS NOR IN THE SPECIFICATION.** The failure to specify the “height of the bottom of the screen above a horizontal plane passing through the seat upon which the spectator rests” (Finding 8) is enough to justify the holding of invalidity for indefiniteness. **Obviously the claims cover inoperative structures.**

After this patent expired in May of 1950 and the patent went into public domain, **the public could not tell, from reading the patent, how to build a drive-in theater and where to place the stage.** The public has to use its own judgment and apply the knowledge of the prior art in order to build an open-air theater. This conclusively proves that the patent is void; it presents a problem and not a solution.

“* * * The third section requires, as preliminary to a patent, a correct specification and description of the thing discovered. This is necessary in order to give the public, after the privilege shall expire, the advantage for which the privilege is allowed, and is the foundation of the power to issue the patent.”

Grant v. Raymond, 31 U. S. 218 at 247.

“* * * The claim is a statutory requirement, prescribed for the very purpose of making the patentee define precisely what his invention is; and it is unjust to the public, as well as an evasion of the law, to construe it in a manner different from the plain import of its terms.”

White v. Dunbar, 119 U. S. 47, 52.

“* * * The statute requires the patentee not only to explain the principle of his apparatus and to describe it in such terms that any person skilled in the art to which it appertains may construct and use it after the expiration of the patent, but also to inform the public during the life of the patent of the limits of the monopoly asserted, so that it may be known which features may be safely used or manufactured without a license and which may not.”

Permutit Co. v. Graver Corp., 284 U. S. 52, 60.

“As to both these patents we are further of opinion that **no sufficient disclosure** of methods is made to enable anyone to make useful electrical logs solely by their teaching and the knowledge of one skilled in electricity and well drilling. * * * If the patents had expired the day this suit was filed, and nothing was known except what the patents disclose, neither appellant nor anyone else could have made useful electrical logs without much experimentation.”

Halliburton Oil Well Cementing Company v. Schlumberger Well Surveying Corporation, 130 F. 2d 589 (C. A. 5), cert. denied 318 U. S. 758.

Stallways (“areas adapted to receive automobiles”) at a vertical angle with respect to the stage, as stated in the

claims, is indefinite, because **neither the direction nor magnitude of the angle is specified.** An automobile on a perfectly flat surface would give its occupants a clear view of a stage only when the stage was at a suitable elevation. This again emphasizes the fact that the claims do not show how the desired objective is to be attained. The phrase “means for longitudinally tilting the automobiles in said stallways in order to produce a generally clear angle of vision from the seat of the automobile” (claim 10) is indefinite since it **does not state what means or where** such means are located or the direction, or degree of inclination, of such means. Such claims are indefinite and invalid for the reasons stated by the Supreme Court in *Halliburton Oil Well Cementing Co. v. Walker*, 329 U. S. 1, 67 S. Ct. 6, where claims were held invalid because they “* * * fail adequately to describe the alleged invention.” In the *Halliburton* case, the Court quoted with approval from *Gill v. Wells*, 22 Wall. 1, as follows:

“Where the ingredients are all old the invention * * * consists entirely in the combination, and the requirement of the Patent Act that the invention shall be fully and exactly described applies with as much force to such an invention as to any other class, because if not fulfilled all three of the great ends intended to be accomplished by that requirement would be defeated. * * * (1.) That the Government may know what they have granted and what will become public property when the term of the monopoly expires. (2.) That licensed persons desiring to practice the invention may know, during the term, how to make, construct, and use the invention. (3.) That other inventors may know what part of the field of invention is unoccupied.”

If not invalid for the reasons stated above, the claims are invalid for anticipation, since prior expired patents have shown and claimed means to tip a car and “to thereby raise and lower the open end of the car that the occupants thereof may see the different views thrown on the screen.” [Exhibit B-9.]

The only statement made in the patents as to dimension is

“The stall-ways are made approximately 15 or 16 feet wide while the driveways are made approximately thirty-five feet wide.” [P. 2, lines 45-48.]

None of the factors listed in Finding of Fact 8 are identified in feet, inches, yards, meters, degrees or any other unit of measurement. The Taylor affidavit [R 75] purports to be an answer to defendants’ request for admission 15, and although argumentative, admits that “* * * no dimensions are written into patent No. 1,909,537 in the form of feet, inches, yards or meters * * *.” [R. 76.] Taylor states the public can get suitable proportions by laying out the entire plan on paper or on the ground and experimenting therewith until a workable arrangement is found. That is an admission that the claims are indefinite and invalid. **The claims present a problem, not a solution to a problem.**

“* * * Where the functional description stands at the very point of novelty, and especially where it merely states a problem for solution rather than teaching the method of its solution, it is not allowable.”

In re Hooker, 175 F. 2d 558 (C. C. P. A.).

In describing the construction purportedly covered by the Hollingshead patent, plaintiff finds it necessary to continually refer to “*depressed*” driveways and “*backwardly inclined*” ramps, with the front of the ramp higher than the rear thereof. (See Plaintiff’s Br. pp. 2, 51, 53, 54, 58, 66, 72, etc.) This is an admission that the claims of the patent inadequately define the construction because the claims do not refer to “depressed” driveways or to “backwardly inclined” ramps. Since these elements are apparently essential (put in italics by plaintiff) and are not in the claims, the claims are indefinite, and the District Court correctly held them invalid.

Plaintiff’s continued reference to these elements is also an admission that claims could have been drafted to describe the construction. It is not impossible to define the construction as implied by plaintiff; but Hollingshead did not define it in his claims, and as this Court has repeatedly stated, a patentee is limited to his claims.

It is submitted that plaintiff, by continued reference to depressed driveways and backwardly inclined ramps (elements not defined in the claims) has justified Finding 7 and Conclusion 6.

It is submitted that the District Court correctly applied the law and held the claims invalid.

“* * * The trial judge found a lack of invention as well as indefiniteness, and we are of the opinion that there was such a lack and that the claims were properly held to be invalid.”

Shick Service, Inc. v. Jones, 173 F. 2d 969 (C. A. 9).

“* * * The statute, 35 U. S. C. A. §33, requires the applicant for a patent to describe his discovery and ‘the manner and process of * * * using it in such full, clear, concise and exact terms as to enable any person skilled in the art * * * to use the same * * * and he shall particularly point out and distinctly claim the part, improvement or combination which he claims as his invention or discovery.’

“If this is not done the patent, though issued, is void. *Grant v. Raymond*, 6 Pet. 218; *Incandescent Lamp Patent*, 159 U. S. 465; *Permutit Co. v. Graver Corporation*, 284 U. S. 52.”

Halliburton Oil Well Cementing Co. v. Schlumberger Well Surveying Corp., 130 F. 2d 589 (C. A. 5), cert. den. 318 U. S. 758.

“* * * Since the thinness of the metal rim is essential and is not definitely limited either in the claims or in the specification, one skilled in the art would be compelled to experiment in order to determine the proper thickness of the part. But this is strong evidence that the requirements of Section 4888, R. S., have not been followed. *Cf. Libby-Owens Glass Co. v. Celanese Corp.*, 135 F. 2d 138.

“* * * Since these important elements of the claims have not been specifically defined, we conclude that the District Court correctly held that proper disclosure has not been made under the statute.”

Timken-Detroit Axle Co. v. Cleveland Steel Products Corp., 148 F. 2d 267 (C. A. 6).

Claims Invalid for Indefiniteness and Functionality Are Not Saved by Specifications.

In the instant case, as pointed out previously, the specification does not give even a single example which would permit the structure to be built without experimentation. Recourse to the specification is of no avail.

“Respondent urges that the claims must be read in the light of the patent specification, and that as so read they are sufficiently definite. Assuming the propriety of this method of construction, cf. *General Electric Co. v. Wabash Corp.*, *supra*, at 373-375, it does not have the effect claimed, for the description in the specification is itself almost entirely in terms of function.”

United Carbon Co. v. Binney Co., 317 U. S. 228
at 234.

“***The claims in suit seek to monopolize the product however created, and may not be reworded, in an effort to establish their validity, to cover only the products of the process described in the specification, or its equivalent.”

General Electric Co. v. Wabash Co., 304 U. S. 364
at 374.

By Reason of Indefiniteness and Undue Breadth, the Patent Is Invalid on Its Face.

Whenever, from an examination of a patent, it appears that the claims are indefinite, or attempt to cover an effect, result or function and do not define an invention with the particularity required by statute (35 U. S. C. A. §33) the Court can hold the patent invalid.

“* * * The claim is invalid on its face. It fails to make a disclosure sufficiently definite to satisfy

the requirements of R. S. §4888, 35 U. S. C. §33.
* * *” (page 368).

“* * * Patents, whether basic or for improvements, must comply accurately and precisely with the statutory requirements as to claims of invention or discovery. The limits of a patent must be known for the protection of the patentee, the encouragement of the inventive genius of others and the assurance that the subject of the patent will be dedicated ultimately to the public. The statute seeks to guard against unreasonable advantages to the patentee and disadvantages to others arising from uncertainty as to their rights. * * *” (page 369).

“The claim further states that the grains must be ‘of such size and contour as to prevent substantial sagging and offsetting’ during a commercially useful life for the lamp. The clause is inadequate as a description of the structural characteristics of the grains. * * *”

“* * * Claim 25 vividly illustrates the vice of a description in terms of function. * * *”

General Electric Co. v. Wabash Co., 304 U. S. 364
at pages indicated.

This is not a new doctrine; it has been applied for seventy-five years, whenever the Court was convinced that the patent claimed more than was invented, as here.

“Examined by the light of these considerations, we think this patent was void on its face, and that the court might have stopped short at that instrument, and without looking beyond it into the answers and testimony, *sua sponte*, if the objection were not taken by counsel, well have adjudged in favor of the defendant.”

Brown et al. v. Piper, 91 U. S. 37 at 44.

Also:

Terhone v. Phillips, 99 U. S. 592;

Lange v. McGuin, 177 Fed. 219;

Damrow Bros. v. Stoelting Bros., 295 Fed. 492
(C. C. A. 7);

DeVry Corp. v. Acme Motion Picture Co., 262
Fed. 970.

Since a patent can be held invalid on facts coming within judicial notice of a court (*Brown v. Piper, supra.*) the District Court had authority to hold the patent invalid because of lack of invention as shown by the prior patents and publications and admissions of record, and on the rules of law pertaining to necessity of clear and unambiguous definition in the claims.

Purported Commercial Success Cannot Overcome Lack of Invention or Failure to Properly Conform to Statutory Requirements.

Although plaintiff claims commercial success, there is little (if any) actual evidence thereof and no proof that open air theaters built were actually in accordance with with the patent disclosures.

As repeatedly stated by this Court, commercial success cannot overcome lack of invention.

“Nor is the fact that there is widespread use of the elements of the patented device as combined therein conclusive of its patentable novelty—it may be merely evidence of utility. Jones’ argument of use and commercial success is of no avail.”

Schick Service Inc. v. Jones, 173 F. 2d 969
(C. A. 9).

“Lack of novelty and lack of invention being clearly shown, no significance attaches to the fact, if it be a fact, that utility resulted and commercial success followed from what Grayson did.”

Grayson Heat Control Ltd. v. Los Angeles Heat Appliance Co., Inc., 134 F. 2d 478, 481 (C. A. 9).

The fact remains that the erection of theaters and places of amusement is an old art. The elements used are old. The results obtained are the same in character as those obtained by the prior patentees. There is no actual invention in adapting the old teachings to a similar purpose.

The Trial Court Properly Awarded Defendants Taxable Costs and Attorneys' Fees.

Pursuant to 35 U. S. C. A. 70, the District Court awarded a portion only of the attorneys' fees actually incurred by defendants. The award of attorneys' fees is discretionary with the Trial Court. Senate Report No. 1502, June 14, 1946, adopted from a report of the House Committee on Patents, in discussing this provision stated:

“The provision is also made general so as to enable the court to prevent a gross injustice to an alleged infringer.”

Long prior to the amendment of 35 U. S. C. A. 70 the courts have awarded attorneys' fees and costs in addition to the normal costs taxable as a matter of course, whenever it appeared that a party made unfounded representations, unnecessarily prolonged trial, took depositions unnecessarily, or otherwise placed an oppressive burden upon the opponent.

In the instant case we have a patent holding corporation which, by strong-arm methods and extensive litigation* has exacted royalties from many owners and operators (and the public) under an invalid patent. Plaintiff admitted that it could not identify the theaters allegedly built, operated and sold by defendants in purported infringement of the Hollingshead patent (as charged in the complaint). When asked to identify them by interrogatories, plaintiff **could not do so**, stating:

“locations of which are presently unknown”

and

“plaintiff is presently without knowledge” [Interrogatories 1-10; R 9-12 and Answers R 14-18].

Although the complaint referred to two theaters in paragraph 10, plaintiff was “without knowledge” as to which one of the defendants built, sold, or used such theaters [Interrogatories 11 and 12; R 12 and Answers R 19].

This clearly shows that the **complaint was not brought in good faith**; it was not based on facts. Plaintiff was using the Court as a tool with which to harass defendants and force them to pay a needless royalty.

Plaintiff did not file answers or objections to defendants’ request for admissions [R 38-48] within the time prescribed by the Rules of Federal Procedure. These requests stood admitted for two weeks before plaintiff filed a belated motion for extension of time [R 60-61] and the late answers to most of the requests asked were argumentative and evasive [R 49-53].

*Note: Shepard’s Citator lists about 30 citations of suits filed and settled by dismissals and consent decrees.

Plaintiff did not file documents in reply to defendants motion for summary judgment within the time set by the Court's Order [R 88] and instead again applied for an extension of time a week after time had expired.

The Taylor affidavit filed by plaintiff [R 106-114] misrepresents that the Encyclopedia Britannica, 14th Ed. [Deft. Ex. A-1 to A-4] was published in 1945 whereas actually it was published in 1929. Plaintiff persists in this misrepresentation as to date of publication even in its brief.

The Boyle affidavit filed by plaintiff [R 115-128] does not relate to facts but instead expresses opinions and conclusions and matters upon information and belief (fourteen instances of statements "on information and belief"). This certainly justifies Finding of Fact 10, since the affidavits are not personal knowledge, as required by Rule 56E, Federal Rules of Civil Procedure.

Plaintiff has continued to make unjustifiable charges and unfounded assertions which place an excessive burden on defendants. This is exemplified by the silly contention that the findings adopted by the District Court do not have legal effect because prepared by counsel, and the false statement that the District Court did not have the patent in suit before it. It is emphasized by plaintiff's disregard of its stipulation that the issue of invalidity be determined by the District Court on the records and papers in this case:

The District Court properly found

"11. The pleadings, interrogatories, answers thereto, requests for admissions and admissions thereto,

and the objections, motions for extensions of time and other papers on file herein indicate that the action was brought upon surmise and suspicion and plaintiff repeatedly delayed proceedings.” [R 138].

Defendants had asked for attorneys’ fees in their answer [R 37]; affidavits of defendants counsel for services rendered in this case in the total sum of \$3,491.95 were filed January 31, 1950 [R 104-105]. Plaintiff had an opportunity to object thereto from January 31, 1950 to March 27, 1950 but did not do so. The Court awarded \$3,400 in attorneys’ fees [R 129].

It is evident that the Trial Court, having carefully studied the pleadings, requests for admissions, the evasive answers thereto, the answers to the interrogatories which show that the action was based on surmise and not on facts, the many delays, the unfounded representations made, etc., and the expenses incurred by defendants, exercised the Court’s discretion and awarded attorneys’ fees in a sum less than that actually incurred. This was not an abuse of discretion.

“We think it is clear that under the statute the question is one of discretion. The Court exercised its discretion and that ends the matter, unless we can say, as a matter of law, that there was a clear abuse of discretion. This we cannot say.”

Blanc v. Spartan Tool Co., 168 F. 2d 296
(C. A. 7).

It is submitted that the findings justify the award and adequately state a basis therefor.

Summary and Conclusion.

In order to save this Court's time, defendants-appellees have presented the matter concisely. Controlling points, requiring affirmance of the judgment of the District Court, have been presented. These points cannot be obscured by the smoke screen of sophistry and misrepresentations which characterizes plaintiff's brief.

The record establishes:

1. That the District Court was empowered, by stipulation of plaintiff, to decide the issue of invalidity upon motion for summary judgment.
2. That both parties were given opportunity to present prior art and affidavits as to facts and cannot question the District Court's authority to render the judgment of invalidity.
3. That the only questions before this Court are whether there is evidence in favor of the necessary findings and whether there was error in the application of the law.
4. That the patent in suit is for a combination of old elements, each acting in its normal and expected manner.
5. That the findings of fact are not in error; the prior art and admissions firmly support the findings.
6. That inventive ingenuity was **not** exercised, in view of the prior art.
7. That if invention is claimed in the direction or degree of inclination of the stallways, then "functional language has been used at the exact point of novelty" and the patent is void.

8. That the District Court properly applied the law and found the claims of the patent in suit invalid for lack of invention, for functionality and for indefiniteness.
9. That the record in this case shows that the action was brought on surmise and suspicion and not in good faith, that plaintiff has employed dilatory and harassing tactics, that plaintiff has made misrepresentations and has attempted to repudiate its stipulations and, in view thereof, the District Court did not abuse its discretion in awarding costs and reasonable attorneys' fees.

Dated at Los Angeles, California, this 11th day of January, 1951.

Respectfully submitted,

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Of Counsel for Defendants-Appellees.

No. 12627

In the
United States Court of Appeals
For the Ninth Circuit

Park-In Theatres, Inc.
plaintiff-appellant
vs.

Seth D. Perkins, George E. Mitzel, La Vere Co. (a
corporation) and Drive-In Theatres of America (a
corporation)

defendant-appellees

Appeal from the
United States District Court
for the Southern District of California
Central Division

Appellant's Reply Brief

FILED

MAY 5 1951

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Appellant's Reply Brief

Appellees and District Court misconstrued legal effect of having both parties move for Summary Judgment

In their Brief (pages 1-2 & 14-18) appellees contend (and the District Court seemingly likewise took the view) that plaintiff, having moved for summary judgment in its favor, expressly or impliedly conceded that there were no genuine issues of fact involved *on defendants'* motion for summary judgment (notwithstanding plaintiff's affidavits and exhibits, contraverting defendants' affidavits).

Thus, on pages 1 and 15 of their Brief, appellees say "Plaintiff joined with defendants in a motion for summary judgment . . .",

and on page 15 of their Brief, appellees further say:

"By joining with defendants in submitting the issue of invalidity for determination by the Court on a motion for summary judgment under Rule 56, plaintiff admitted that there was no genuine issue as to any material facts and that the invalidity of the patent was simply a question of law."

Assuming, *arguendo*, that plaintiff did make a motion for summary judgment, as appellees contend in their Brief*, appellees (and seemingly also the District Court) have misconstrued the legal effect of having both parties move for summary judgment.

Thus it is well settled that even when both parties move for summary judgment, *neither* party is deemed to have admitted (much less contended) that there is no genuine issue of fact raised by the other party's motion and upon the theory of law upon which such other party's motion is predicated.

The common error into which appellees (and the District Court) fell, on this point, is highlighted, *inter alia*, by the case of *Steinberg vs. Adams*, 90 F. Supp. 604, 608

* and no such motion appears in the *record on appeal*

(DC SD NY), wherein both parties moved for summary judgment and both filed affidavits, and wherein the Court recognized that if the same evidence were produced at a trial (as was contained in the affidavits) it would enable the trial-judge (upon a trial) to decide the case according to where the "burden of proof" lies, and yet the motion-judge (unlike the trial-judge) had to follow a different criterion from that available to the trial-judge and was restrained from entering summary judgment for either party, in the presence of conflicting affidavits;—the Court in that case saying:

"A trial judge will not be hampered by these restraints. He has a working tool not available to the motion judge. He employs the 'burden of proof' to decide issues. Whoever has the burden of proof will lose if he fails to sustain it. Here, however, if I should decide that plaintiffs have not sustained the burden of proof, it does not follow that defendants can get summary judgment. They can not get summary judgment, as distinguished from judgment after trial, unless they meet the 'slightest doubt' test. That they have not accomplished."

"*This, I hope, will help lay the ghost of an assumption which seems to be common at the bar*†, that once both parties move for summary judgment the court is bound to grant it to one side or the other. The law is otherwise. *Associates Discount Corporation v. Crow*, 1940, 71 App.D.C. 336, 110 F.2d 126; cf. *Steiner v. U. S.*, D.C. 1941, 36 F.Supp. 496."

To same effect are the decisions in *Begnaud vs. White*, 170 F.2d 323, 327 (CA-6), and in *Associates Discount Corp. vs. Crow*, 110 F.2d 127-8 (App. D.C.).

In *Garrett Biblical Institute v. American University*, 163 F.2d 265, 266 (CA D.C.) the Court held:

"The conflict arising during the course of oral argument as to whether appellant's motion for summary

† all emphasis and interpolative parenthetical statements, in quotations, supplied by appellant

judgment was restricted to its counterclaim or whether it applied to all of the pleadings is of no moment, since even assuming that both motions were directed toward the same complaint and responsive pleadings, 'It does not follow that, merely because each side moves for a summary judgment there is no issue of material fact. For, although a defendant may, on his own motion, assert that, accepting his legal theory, the facts are undisputed, he may be able and should always be allowed to show that, if plaintiff's legal theory be adopted, a genuine dispute as to a material fact exists.' *Walling v. Richmond Screw Anchor Co.*, 2 Cir. 154 F.2d 780, 784, certiorari denied 328 U.S. 870, 66 S.Ct. 1383, 90 L.Ed. 1640, followed by this Court in *Krug v. Santa Fe Pacific R.R. Co.*, 81 U.S. App. D.C. 288, 158 F.2d 317."

"As appears below, the complaint and answer to the complaint raised an issue of fact."

In reversing the District Court's summary judgment in *Colby vs. Klune et al*, 178 F.2d 872-3, (CA-2) the Court stated the matter as follows:

"We have in this case one more regrettable instance of an effort to save time by an **improper** reversion to 'trial by affidavit', improper because there is involved an issue of fact, turning on credibility.¹ Trial on oral testimony, with the opportunity to examine and cross-examine witnesses in open court, has often been acclaimed as one of the persistent, distinctive and most valuable features of the common-law system.² For only in such a trial can the trier of the facts (trial judge or jury) observe the witnesses' demeanor; and that demeanor—absent, of course, when trial is by affidavit or deposition—is recognized as an important clue to witnesses' credibility. When, then, as here, the ascertainment (as near as may be) of the facts of a case turns on credibility, a triable issue of fact exists,

¹ citing authorities

² citing authorities

and the granting of a summary judgment is error. **It did not cure the error that each side moved for such a judgment in its favor.³**”

“We hear much of crowded trial dockets as the cause of deplorable delays in the administration of justice. The way to eliminate that congestion is by the appointment of a sufficient number of judges, not by doing injustice through depriving litigants of a fair method of trial”

The cases cited on pages 16-18 of appellees’ Brief, to the effect that where all parties move for a directed verdict at the close of all the evidence upon a trial, they thereby withdraw the case from the jury and submit the case for determination by the Court, as a pure question of law, are wholly inapplicable both (1) because they relate to motions for directed verdict at the conclusion of a trial, and not to practice on motions for summary judgments, and also (2) because these cases have been superseded by Rule 50-a of the *Federal Rules of Civil Procedure* which expressly provides that there is no waiver of a trial by jury even when all parties move for a directed verdict at the close of all the evidence. This has been so held in the following cases:

Vandevander vs. United States, 172 F.2d 100 (CA-5)

United States vs. Brown, 107 F.2d 401 (CCA-4)

Vilter Mfg. Co. vs. Rolaff, 110 F.2d 491 (CCA-8)

The principle that summary judgment may not be granted where the facts relied on by movant must be established by movant’s affidavits (particularly where they are contraverted), was affirmed again as recently as December 19, 1950, in the case of *Chappell et al vs. Goltsman et al*, F.2d ; CA-5 (88 USPQ 1, 3):

“But disputed issues of fact cannot be resolved by affidavits, nor may affidavits be treated for purposes

³ *Walling v. Richmond Screw Anchor Co.*, 2 Cir., 154 F.2d 780, 784; *Krug v. Santa Fe R. Co.*, 81 App. D.C. 288; 158 F.2d 317, 319; *Garrett Biblical Institute v. American University*, 82 App. D. C. 263; 163 F.2d 265, 266.

of the motion for summary judgment as proof contrary to well pleaded facts in the complaint. *Farrall v. District of Columbia Athletic Union*, 153 F.2d 647. It is only on the basis of a showing that there is no genuine issue of fact as to the existence of the affirmative defense that the court is authorized to sustain the motion and dismiss the action on that ground. Summary judgment is authorized 'only where the moving party is entitled to a judgment as a matter of law, where it is quite clear what the truth is, that no genuine issue remains for trial, and that the purpose of the rule is not to cut litigants off from their right of trial by jury if they really have issues to try.' *Sartor v. Arkansas Gas Corp.*, 321 U.S. 620, 627. It is no part of the court's duty to decide factual issues but only to determine whether there are any such issues to be tried. *Hawkins v. Frick-Reid Supply Corporation*, 5 Cir., 154 F.2d 88; *Lane Bryant Inc. v. Maternity Lane*, 9 Cir., 173 F.2d 559 (81 USPQ 1); *Butcher v. United Electric Coal Co.*, 7 Cir., 174 F.2d 1003."

A & P vs. Supermarket decision not controlling nor applicable in view of the different state of the pleadings and different margin-of-difference over the prior-art, in the case at bar

On pages 7-9, 16 & 34 of their Brief, appellees rely upon the recent decision of the Supreme Court in the case of *Great Atlantic & Pacific Tea Co. vs. Supermarket Corp.*, U.S. (95 L.Ed 118, and 87 USPQ 303) and place special reliance upon the *minority* opinion in that case which was not adopted or concurred in by the majority of the Court and hence does not represent the decision of that Court.

However, only by an examination of the Turnham patent there in suit *together with* at least the prior-art patents which were before the Court in that case, can any *standard* or *yardstick* of invention be derived from this recent decision.

An examination of the Turnham patent and the prior-art patents of record in that case will show that whatever may have been said in regard to the Turnham patent, is not applicable to the Hollingshead patent here in suit, because the margin-of-difference between the Turnham patent and its "prior-art" was manifestly much less than the margin-of-difference between the Hollingshead patent here in suit and the "prior-art" relied upon by appellees at bar.

In its more recent (Jan. 3, 1951) decision in the case of *Ingersoll-Rand Co. et al v. Black & Decker Mfg. Co.*, F.Supp. ; DC Md (88 USPQ 150, 153), the Court (Chestnut J.) cogently pointed out that the Supreme Court's recent decision in the *Gt. A. & P. Co. vs. Supermarket case, supra*, provides no yardstick or standard of invention, and that each case must yet be decided upon its own facts:

"Despite the helpful guidance of this very recent opinion there is still no precise legal yardstick to measure the requisite standard of invention, other than the considered judgment of the trial or appellate judges which, as was long ago pointed out by Judge Learned Hand in the Second Circuit, is necessarily to a large extent, by reason of the subject matter, affected by the subjective point of view of the judge. Each case must, therefore, unless and until there is more precise congressional direction, remain to be decided on its particular facts."

Moreover, in the *A & P vs. Supermarket* case there had been a trial at which witnesses were heard on the question of invention and on all the fact-questions underlying the question of invention, whereas in the case at bar not only has there been no oral testimony offered by appellees to impune the validity of the Hollingshead patent in suit* but, indeed, even defendants' sole moving affidavit

*and plaintiff was likewise not given an opportunity to support the legal presumption of *inventiveness* of the drive-in theatre of the patent-in-suit, by the testimony of witnesses

attacking the validity of the patent was merely that of defendant-appellees' chief counsel in the case who, without tendering any statement of qualifications as an expert, and being obviously biased and indeed nothing more than an avowed advocate, merely gave his arguments and conclusions in affidavit form.

Moreover, the Turnham patent in suit in the *A & P vs. Supermarket* case was, at best, merely an improvement patent, whereas the Hollingshead patent here in suit is clearly a *pioneer* patent;—being the first (U.S. or foreign) patent on any drive-in theatre, and the drive-in theatre built by Hollingshead in 1933 under and in accordance with the patent-in-suit was the first drive-in theatre of *any kind* ever built in the United States (or elsewhere) as shown by plaintiff's Boyle Affidavit (R.pp. 115-128) and Taylor Affidavit (R.pp. 106-114), and by plaintiff's Exhibits. For the Court's convenience we have reproduced, in *Appendix C* hereto, some pertinent excerpts from these Exhibits, bearing upon the status of Hollingshead's invention and patent, *as viewed by the industry*.

Only since the Hollingshead patent-in-suit, have a number of other patents been issued (to others) on various alleged improvements upon the drive-in theatre of the Hollingshead patent here in suit.

Thus, the Hollingshead patent here in suit established the new art and is the foundation of a new large industry which neither the motion-picture producing industry nor the motion-picture exhibiting industry ever foresaw or suggested (either by their actions, words or otherwise) at any time prior to the Hollingshead patent in suit;—the subject-matter of which patent the entire industry thereafter adopted as a boon to the motion-picture producing and exhibiting industries, and plaintiff-appellants' reply affidavits and exhibits amply attest not only the pioneer character of the patent-in-suit but also its great commercial impact and the great benefits derived therefrom by the motion-picture producers, exhibitors and the public.

The case at bar, on Motion for Summary Judgment, is therefore clearly not controlled or affected by the Supreme Court's recent decision in the *A & P vs. Super-*

market case wherein the margin-of-difference of the patent-in-suit and prior-art was manifestly much smaller if not indeed nil, and wherein there had been a *full trial* on the fact-question of invention.

Appellees' arguments based on their contention that prior-art relied on by them was not "cited" in Hollingshead's "file-wrapper" without merit

Appellees contend that the prior-art patents and publications relied upon by them in the case at bar were not cited by the Examiner in the file-wrapper of the patent-in-suit, and further impliedly argue that the prior-art at bar is more pertinent than the prior-art which the Examiner cited in the file-wrapper of the Hollingshead patent in suit and that such more pertinent prior-art relied on by them was therefore necessarily overlooked by the Examiner.

However, appellees did not introduce or submit a copy of the file-wrapper and contents of Hollingshead patent-in-suit nor did appellees make any showing as to just what the prior-art was which the Examiner did cite in the file-wrapper of the Hollingshead patent-in-suit, nor did appellees offer or introduce copies of such prior-art as was cited by the Examiner.

Hence, there is no way (on the present record) for the Court to know whether the prior-art now relied upon by appellees was or was not cited by the Examiner in the file-wrapper of the Hollingshead patent-in-suit, nor is it possible for the Court to compare the prior-art of record relied upon by appellees with the prior-art cited by the Examiner, to see which is more pertinent. Nor has appellant had occasion or opportunity to present its evidence and/or arguments on this point.

It follows, as a matter of simple logic, that if the prior-art relied upon by defendants is no more pertinent than the prior-art cited by the Examiner, then the mere fact that defendants chose to rely on prior-art not cited by the Examiner is without any significance, helpful to appellees, and appellees' arguments based upon their contention that their prior-art was not cited by the Examiner,

Moreover, it is well settled that it does not necessarily follow, merely from the fact that certain prior-art patents were not cited by the Patent Office, that they were overlooked in considering the patentability of certain claims, but it is just as reasonable to conclude that they were considered and cast aside as not pertinent.

Thus, in *Adler vs. Wagner* 112 F.2d 264, 267 (CCA-7) the Court held:

“The Bindhammer and Francis patents were cited in the patent office, but not those of Send and Standish. It is argued by Adler that it follows these two patents were overlooked by the patent office and, if the patent office had considered them, a different result would have been reached. We do not think it necessarily follows, however, merely from the fact that they were not cited, that they were overlooked. **It is just as reasonable to conclude that they were considered and cast aside as not pertinent.** *Detroit Motor Appliance Co. v. Burke*, D. C., 4 F.2d 118, 122.”

As pointed out in *Bradley vs. Eccles* 138 Fed. 916, 918 (CC ND NY):

“The defendant has not shown that the prior United States patents now relied on to show anticipation, etc., were not called to the attention of the officials and examiners in the Patent Office. **There is no legal presumption that such examiners were ignorant of their existence.**”

Likewise in *Salt's Textile Mfg. Co. vs. Tingue Mfg. Co.* 227 Fed. 115, 118 (DC Conn) the Court said:

“It is sufficient to say of the prior published art that *the additional British patents and the Posselt publication do not disclose any art substantially different from that under consideration by the Patent Office when the patent was granted.* The Patent Office ruled that these patents did not disclose equivalents of the Steiner patent. The defendant has introduced no expert testimony explaining these patents and publications, and the court is left to the presumption that the patent itself possesses such an amount of

change from the prior art as to entitle it to the presumption which attaches to a patent. (citing authorities)''

As pointed out in *Detroit Motor Appliance Co. vs. Burke* 4 F.2d 118, 122 (DC Minn):

''It is contended that the Patent Office did not have before it the prior art disclosed by the above-mentioned patents, except Brock and Lanchester. It is true that these two patents are the only citations in the file wrapper; but this is far from proving that the other patents were not considered. **The presumption is that the officials of the Patent Office did their duty, and considered the other patents now brought forward as new prior art.** There is no evidence dehors these patents to repudiate this presumption, nor is there anything in the patents themselves which in my judgment should overthrow the presumption.''

Was patent-in-suit before District Court?

Appellant's Los Angeles attorneys have examined all papers on file in the office of the Clerk of the District Court in connection with the case at bar, and made inquiries with the Clerk of this Court in respect to the original papers which have been sent up, and also examined the Transcripts of all oral arguments, and, as a result, respectfully submit that the patent-in-suit was not before the District Court upon the record as made by the papers filed in the office of the Clerk of the District Court or as made on the oral hearings had in the District Court.

Thus, there was no copy of the patent-in-suit attached to any of the original papers filed in the office of the Clerk of the District Court nor to any of the papers which were sent up by that Clerk to the Clerk of this Court. Nor was any copy of the patent-in-suit attached to any of the carbon copies of any papers served upon plaintiff-appellant.

Likewise, there is no reference, in any paper filed in the District Court, that a copy of the patent-in-suit had been, or was then being, or would thereafter be filed or submitted.

None of the Transcripts of oral arguments show any mention of the submission of a copy of the patent-in-suit, and appellant's attorney who attended all the hearings in the District Court in this case does not recall that a copy of the patent-in-suit was ever handed to the District Court at any hearing attended by him.

The procedure in filing pleadings and other documents with the Clerk of the District Court for the Southern District of California, is to file the original with the Clerk, together with a *conformed* copy. Said copy is marked as the Court's copy, and the Clerk does not furnish the Court with a copy of any pleading or document unless the original thereof has been actually filed with the Clerk.

**Appellees tender non-issue in respect to
District Court's Findings of Fact**

On pages 19 & 20 of their Brief, appellees try to attribute to appellant a contention in regard to the Findings, which is *not* and never was appellant's contention, namely that the preparation of the Findings by the prevailing party and their submission to and adoption by the District Court, in and of itself lessens their force as Findings of Fact. Appellant has not and does not make any such contention. An examination of appellant's Brief (pages 37 *et seq*) shows that appellant's position was merely that the Court did not compare the prior-art with the patent-in-suit because the patent was not before it.

**Rule 52-a contemplates Findings of Fact only in actions in which there has been a trial, and not in actions determined on motion and affidavits
and**

If Findings of Fact are deemed necessary in disposing of case on Motion for Summary Judgment, such necessity shows that there were genuine issues of fact which should not have been decided on the Motion

Rule 52 provides that:

“(a) In all actions *tried* upon the facts . . . the Court shall find the facts specially and state separately

its conclusions of law thereon . . . Findings of fact and conclusions of law are unnecessary on decisions of motions under Rules 12 or 56 or any other motion except as provided in Rule 41(b).”

Courts have uniformly held that neither Findings nor Conclusions are necessary in disposing of a case by summary judgment under Rule 56:

Simpson Bros. vs. District of Columbia, 179 F.2d 430, 434 (CA D.C.)

Thomas vs. Peyser, 118 F.2d 369, 374 (CA. D.C.)

Burnham Chemical Co. vs. Borax Consolidated, 170 F.2d 569, 575 (CA-9)

The rationale of the above-quoted parts of Rule 52-a is that Findings of Fact (and Conclusions of Law based thereon) are only necessary where, as *upon a trial* without a jury, there are disputed facts, whereas Rule 56 providing for summary judgment expressly provides that summary judgment shall not be entered where there are genuine issues of fact.

Defendant-appellees apparently deemed it important, if not indeed indispensable to their case, that the District Court enter special Findings of Fact, and in this Court appellees rest their case almost entirely upon such Findings of Fact, which Findings, under Rule 52-a, were wholly unnecessary and unwarranted *if* there was no genuine issue of fact as required by Rule 56.

By their insistence (below) upon special Findings of Fact, notwithstanding Rule 52-a, and by their almost exclusive reliance (in this Court) upon such Findings, appellees tacitly admit that there were genuine issues of fact upon their Motion for Summary Judgment, for the resolution of which fact-issues they found it expedient, if not indeed necessary, to invoke the fact-finding office of the District Court, an office *not* applicable to summary judgment proceedings under Rule 56. *Bowers vs. E. J. Rose Mfg. Co.*, 149 F.2d 612, 615, 616 (CCA-9).

Moreover, it was well settled even under old Rules 52 & 56, (namely, prior to the 1948 Amendment which expressly provided that no Findings need be made in disposing of a case by summary judgment), that Findings of Fact can have no special force or persuasive effect, on appeal, where such Findings are not based upon oral testimony of witnesses, because where the fact-findings are not based upon such evidence but merely upon documents and affidavits, the appellate court is in just as good a position to evaluate such paper-evidence as was the District Court.

Indeed, even where a judge, upon a trial,

“decides a fact issue on written evidence alone, we (the Court of Appeals) are as able as he to determine credibility, so we may disregard his findings*”, *Orvis vs. Higgins*, 180 F.2d 537, 539 (CA-2).

This Court, in *Equitable vs. Ireelan*, 123 F.2d 462, 464 (CCA-9), held that even where the evidence *upon trial* is merely by depositions taken before trial,

“This court is in as good a position as the trial court was to appraise the evidence and we have the burden of doing that. Rule 52(a) of the Rules of Civil Procedure, 28 U.S.C.A. following section 723c, was intended to accord with the decisions on the scope of the review in federal equity practice; and, as is well known, in the federal courts where the testimony in equity (citing authorities) or admiralty (citing authority) cases is by deposition the reviewing court gives slight weight to the findings.”

To the same effect is this Court's decision in *Pacific Portland Cement vs. Food Machinery Chemical Corp.*, 178 F.2d 541, 548 (CA-9).

**Appellees' contentions on award of attorneys' fees,
without support in the record**

The Complaint identified a *specific* drive-in theatre charged to infringe (R.p. 6) and the Answer admits that

one of the defendants built and operated that *specific* drive-in theatre (R.p. 31).

The mere fact that plaintiff was unable to identify all drive-in theatres built and operated by defendants is immaterial. The usual practice is that the Complaint does not identify *any* specific infringing device.

Significantly enough, defendants have not tendered any affidavit or other showing that *each* of them has *not* built and operated at least one drive-in theatre like that of the patent-in-suit, nor have they tendered any affidavit or other showing that the drive-in theatre specifically identified in the Complaint did not fully respond to each of the claims-in-issue of the Hollingshead patent, in suit.

Appellee's strategy in avoiding the issue of infringement

Nevertheless appellees, on page 47 of their Brief, even go so far as to attack plaintiff's claim of commercial success because of lack of proof that the drive-in theatres built were actually in accordance with the disclosure of the patent-in-suit.

Of course, if the one drive-in theatre specifically identified in the Complaint and admitted in the Answer to have been built and operated by one of the defendants, did not embody the specific structure disclosed and claimed in the patent-in-suit, and if none of the defendants had in fact not built or operated any other drive-in theatre, or if whatever other drive-in theatres defendants had built and operated likewise did not embody the specific construction or structure disclosed and claimed in the patent-in-suit, defendant-appellees could have moved for summary judgment upon a simple showing of what the structure of their drive-in theatre (or drive-in theatres) in fact was, as may be gleaned by the blueprints of the building-contractor who built such drive-in theatre (or drive-in theatres) or by photographs of such drive-in theatres.

Presumably, such showing upon a motion for summary judgment would have been quite easy for defendant-appellees, and they would not have had to assume the far

greater burden of overcoming the prima facie presumption of novelty, inventiveness, utility and validity attaching to the patent-in-suit by virtue of its issuance.

Likewise, if defendant-appellees' drive-in theatre (or drive-in theatres) was nothing more (structurally) than a flat parking-lot with a screen thereon, where

“a spectator walks into his seat in a theatre, skates into the aisle, or rides in on the automobile . . .”

as appellees' brief (bottom of page 34) tries to denude the specific drive-in theatre structure of the patent-in-suit, or if defendant-appellees' aforesaid drive-in theatre (or theatres) bear any close resemblance to any one of the many specific constructions or structures disclosed in any one of the many “prior-art” patents and publications relied upon by them, they should have shown to the District Court, on their motion, just what the specific structure or construction of their drive-in theatre (or theatres) was, so that the District Court could compare such structure with the “prior-art” or with the flat parking-lot about which appellees are prone to talk, because, of course, if appellees' drive-in theatre (or theatres) is merely a flat parking-lot with a screen or embodies merely the structure of a prior-art patent, as can be gleaned from a comparison therewith, there would be no infringement.

Defendant-appellees preferred to avoid any showing as to just what their drive-in theatre (or drive-in theatres) is really like.

We respectfully submit that by their decision to *avoid* what would be the most easy course *if* their drive-in theatres were merely flat parking-lots or merely the structure of one of the prior-art patents, namely, by their decision *not* to move for summary judgment on the ground of non-infringement *and by their decision to avoid any comparison between the structure of their drive-in theatres and the prior-art and flat parking-lots about which they are prone to talk*, appellees, while *extending a hand like that of Esau*, yet *speak with the voice of Jacob**.

* *Genesis*, Chapter 27 ¶ 22 et seq .

Conclusion

In conclusion, it is therefore respectfully submitted that upon defendants' motion for summary judgment there were manifestly genuine issues of fact, and therefore it was improper to enter summary judgment, and such judgment should be reversed.

Respectfully submitted,

REGINALD E. CAUGHEY

LYON & LYON

LEONARD L. KALISH

attorneys for plaintiff-appellant

Appendix C

R. Vol. I, p. 124: **Lowell Thomas** (broadcast) on **May 19, 1933**, as follows:

“‘Did you ever hear of a theatre where you could drive right into the auditorium, sit in your car, and watch the show?’

‘Neither did I until today.

‘According to the Film Daily of New York, down in Camden, New Jersey, they have what is said to be the first drive-in theatre in the world.’”

PX-2, R. Vol. II, p. 258: **Motion Picture Herald** **July 1, 1933**:

“The unique show-park in Camden where patrons witness motion picture entertainment from their automobiles—how it is built and how it works”

“What is doubtless the first theatre designed so that patrons may witness the performance while remaining in the automobiles in which they have come, has been opened in Camden, N. J. It is indeed a theatre unique, a motor age experiment which may prove the idea sensible enough to warrant others like it. Then on a broader scale will be determined whether the public likes such theatres merely temporarily, as a novelty, or as a happy means of ‘going to the movies’ in the summertime. After a few weeks of operation, the promoters of the Drive-In theatre in Camden indicate that so far the innovation seems to be a success.

“Being so distinctive, this theatre invites description quite as different from the usual.

“The enterprise was conceived by Richard M. Hollingshead, Jr., of Camden”

PX-3, R. Vol. II, p. 262: **Everybody’s Weekly** **May 16, 1948**, **The Philadelphia Inquirer**:

“Growth of Drive-In Movies, by Edgar Williams”

“**First known installation of a drive-in theatre was made in 1933 near the Camden Airport.** By 1940, about 100 ‘ozoners’ were in operation throughout the nation.

“In virtually every state, drive-ins are mushrooming. One builder of open-air film centers predicted recently that by the end of 1949 more than 1,000 will be in service throughout the nation.

“By the end of the year there will be 720 drive-ins in operation from coast to coast. At least 12 additional outdoor theatres will open in the Pittsburgh area this summer, giving that section a total of 29 drive-ins. New York City got its first drive-in a few weeks ago, a \$300,000 establishment on Staten Island. Six have opened in Dayton, Ohio, alone, and six are scheduled to open in St Louis. Building costs for the mushrooming industry are placed at \$60,000,000 for 1948.”

PX-13, R. Vol. II, p. 273: **The New Yorker** Oct 1, 1949

“The Talk of the Town”

“Drive-In movie theatres have been springing up all over the country for the last year or so . . . now New York has a rather spectacular one. It’s the Whitestone Bridge Drive-In Theatre, . . . the manager, Mr. Harvey Elliott, . . . take a bullish view of the future . . . ‘Let me tell you the **drive-in theatre is no fad.** . . . The drive-in is the easiest way there is to see a movie . . . family trade . . . accounts for eighty-six per cent of our business.’ . . . The South, Southwest, and Midwest have the greatest number per capita. The first drive-in theatre was built in 1933, outside Camden, New Jersey, he (Elliott) told us, by a man named Hollingshead, who got a patent on it. . . . There were only a hundred drive-ins in the whole country in 1940; now there are fifteen hundred, and two thousand under construction. . . . The White-

stone . . . cost . . . about four hundred thousand dollars. . . . The cars line up on ramps laid out in a series of semicircles around the screen. The ramps slant upward at an angle. . . . 'On opening night, we turned away eight thousand people,' Elliott said. 'Since then, we've averaged sixty per cent of capacity.' "

PX-11, R. Vol. II, p. 271: **The Independent Film Journal** July 30, 1949:

"Drive-ins are creating new patrons for motion pictures. William F. Rodgers, vice-president and general sales manager for M-G-M, told the industry trade press last week. While no final conclusions can yet be drawn from a survey made by the company on this subject, the M-G-M sales chief stated that there was considerable evidence to indicate that this 'new type of business' was expanding the national audience rather than serving as a competitive threat to established theatres.

.

"Concluding his remarks, Rodgers said, 'If they are catering to people who seldom went to theatres . . . we should give them every encouragement as another department of motion picture service.' "

PX-12, R. Vol. II, p. 272: **Exhibitor** August 24, 1949:

"Big story of the 1949 entertainment season has been the growth of drive-ins throughout the country.

"In all parts of the U. S., they have sprung up as a permanent part of exhibition, bring, in the opinion of many, new theatregoers who ordinarily would never go to the regular type of theatre.

.

"One of the major suppliers of drive-in equipment is the Radio Corporation of America, and not long ago The Exhibitor had the opportunity to visit Camden, N. J., where the drive-in originated, for a trip through the RCA plant.

“Assembly lines at RCA have been working at capacity since early spring to supply the demands of the **new industry**, it was revealed by J. P. Barkow, RCA Engineering Product Department’s plant manager for Communication and Distributed Products.”

PX-14, R. Vol. II, p. 274: **Boxoffice** October 8, 1949:

“Chicago—The **first-drive-in theatre suit** attacking film distribution practices—one which may establish legal precedents in determining a clearance policy for outdoor theatres—got under way in federal court here this week.

“The defense also told the court that **drive-in theatres** are so new to the industry and their competitive position in relation to indoor theatres so undetermined that distributors have been unable to make any definite policies on what reasonable clearance for the outdoor theatre is.

“The newness of the **drive-in**, Miles Seeley, attorney for RKO, Loew’s and Universal-International, said, ‘has not only posed a question for the distributor as to how they should be treated, but the exhibitors who own and operate them must also develop ideas along this line as they go along.’ ”

PX-4, R. Vol. II, p. 263: **Motion Picture Herald** (July 17, 1948):

“**The Drive-In Theatre**, the screen’s institution of the far-flung crossroads of the nation, . . .

“. . . **drive-ins** are doing outstanding business and, in many cases, have **recouped** their investment in the first year of operation, . . .

“. . . the out-door operation . . . a **growing** source of revenue for the distributors . . . ”

PX-5, R. Vol. II, p. 265: **Boxoffice** (July 17, 1948):

“. . . the **drive-ins** are . . . obtaining good returns on an investment.”

PX-6, R. Vol. II, p. 266: **Boxoffice** November 13, 1948:
“Drive-Ins up from 100 to 761 in 20-month building boom”

“by Sumner Smith”

“**The first drive-in was opened near Camden, N. J. in 1933.**”

PX-9, R. Vol. II, p. 269: **Time** (June 20, 1949):

“**From their modest start in Camden (N. J.) in 1933 the drive-ins have grown too big to be dampened by rain.**

“ . . . 80% of drive-in fans are not, and never have been, regular moviegoers. The best customers are 1) moderate-income families who bring the children to save on baby-sitting, 2) the aged and physically handicapped and 3) farmers and factory workers ducking the ritual of dressing up to go to a movie in town.”

PX-10, R. Vol. II, p. 270: **Boxoffice** (July 23, 1949):

“Rodgers says drive-ins creating new patrons”

“**Drive-ins have become such an important factor in developing new customers for theatres and in returning old ones who for various reasons have not been attending often that MGM is now making a national survey of the open-air operations, says William F. Rodgers, vice-president and general sales manager.**

“ ‘**Certainly in the drive-in we have a new type of business. Many owning both theatres and drive-ins in close proximity to each other contend that the drive-in is not competition, that a new motion picture clientele is being formed attracting folks who were not regular attendants to theatres. I believe this is true.**’

“ ‘ . . . so many of our customers who for years have operated theatres are also in the drive-in business.’ ”

No. 12630

United States
Court of Appeals
for the Ninth Circuit.

NATIONAL LABOR RELATIONS BOARD,
Petitioner,
vs.

CLARA-VAL PACKING COMPANY and CAN-
NERY WAREHOUSEMEN, FOOD PROC-
ESSORS, DRIVERS AND HELPERS, LO-
CAL UNION No. 679, AFL.,
Respondents.

Transcript of Record

Petition for Enforcement of Order of the
National Labor Relations Board

FILED

NOV - 1 1950

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[Clerk's Note: When deemed likely to be of an important nature, errors or doubtful matters appearing in the original certified record are printed literally in italic; and, likewise, cancelled matter appearing in the original certified record is printed and cancelled herein accordingly. When possible, an omission from the text is indicated by printing in italic the two words between which the omission seems to occur.]

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Morgan Hill, California,

Appearing on behalf of the Company.

United States of America, Before
The National Labor Relations Board
Case No. 20-CA-117

In the matter of
CLARA-VAL PACKING COMPANY
and
NORA E. STIERS, an Individual.

Case No. 20-CB-29

In the Matter of
CANNERY WAREHOUSEMEN, FOOD PROC-
ESSORS, DRIVERS AND HELPERS,
LOCAL UNION No. 679, A.F.L.
and
NORA E. STIERS, an Individual.

EXCEPTIONS TO THE INTERMEDIATE RE-
PORT AND RECOMMENDED ORDER IN
THE ABOVE-ENTITLED MATTER

Come now the above-named respondents, (As the Trial Examiner found and recommended that both respondents were guilty of unfair labor practices, we are authorized by the respondent, Clara-Val Packing Company, to state that they join in the exceptions to the Intermediate Report and Recommended Order herein), and each of them, and state there is manifest error in the Intermediate Report and Recommended Order herein, and object to and except to the Intermediate Report and Recom-

mended Order aforesaid, in this, to wit: the Trial Examiner duly designated by the Chief Trial Examiner erred in making and entering his findings of fact and recommendations thereto:

I.

Except to the finding of fact that respondent's Exhibit 1 contained an automatic renewal clause, Examiner's Report, Page 4, Line 15 to Line 30.

II.

Except to the finding that the contract was renewed or extended on March 1, 1948, within the meaning of Section 102 of the Act, Examiner's Report, Lines 31 and 32.

III.

Except to the finding that Stiers had been discriminated against and that the company was coercing its employees in the exercise of the rights guaranteed in Section 7 of the Act, and that the Union had restrained or coerced Stiers in the exercise of those rights as contained in Examiner's Report on Page 4, Line 36, commencing with the word "since" and ending with the words "so finds."

IV.

Except to the findings that the activities of the respondents have a close and intimate and special relationship to trade, traffic and commerce among the several states, as more particularly contained in the Examiner's Report on page 5, Lines 13 to 19.

V.

Except to the suggested remedy commencing with Page 5 of Examiner's Report, Line 23 to Line 42.

VI.

Except to the conclusions of law commencing with Line 7 to Line 30 on Page 6 of Examiner's Report.

VII.

Except to the recommendations commencing with Line 35 on Page 6, continuing to Line 22 on Page 7 of Examiner's Report.

VIII.

Except to the cease and desist finding commencing in Examiner's Report with Line 25 on Page 7, and continuing through to Line 8 on Page 8 thereof.

Wherefore, respondents herein, and each of them, pray that the findings and recommendations of the Intermediate Report be not concurred in by the National Labor Relations Board.

/s/ I. B. PADWAY,
Attorney for Respondent Cannery Warehousemen,
Food Processors, Drivers and Helpers, Local
Union No. 679, AFL.

Received July 12, 1949.

United States of America, Before the
National Labor Relations Board
Case No. 20-CA-117

In the Matter of

CLARA-VAL PACKING COMPANY

and

NORA E. STIERS, an Individual.

Case No. 20-CB-29

CANNERY WAREHOUSEMEN, FOOD PROC-
ESSORS, DRIVERS AND HELPERS,
LOCAL UNION No. 679, A.F.L.

and

NORA E. STIERS, an Individual.

DECISION AND ORDER

On June 6, 1949, Trial Examiner Josef L. Hektoen issued his Intermediate Report in the above-entitled proceeding, finding that the Respondents had engaged in and were engaging in certain unfair labor practices, and recommending that they cease and desist therefrom and take certain affirmative action, as set forth in the copy of the Intermediate Report attached hereto.¹

Thereafter, the Respondents filed exceptions to

¹Pursuant to Section 203.33(b) of the National Labor Relations Board Rules and Regulations Series 5, as amended, these cases were consolidated by order of the Regional Director for the Twentieth Region (San Francisco, California) on November 30, 1948.

the Intermediate Report and supporting brief. The Respondents' request for oral argument is hereby denied because the record and the exceptions and brief, in our opinion, adequately present the issues and the positions of the parties.

The Board has reviewed the rulings made by the Trial Examiner at the hearing and finds that no prejudicial error was committed. The rulings are hereby affirmed. The Board has considered the Intermediate Report, the exceptions and brief filed by the Respondents, and the entire record in the cases, and hereby adopts the findings, conclusions and recommendations of the Trial Examiner not inconsistent with our findings, conclusions, and order, hereinafter set forth.

1. The Union expelled Nora Stiers from membership because she refused to honor a picket line which the Union had established at the plant of another company with whom the Union had a labor dispute. The Union then demanded that Respondent Clara-Val discharge Stiers, in accordance with the union-security provisions of their contract. The Union accompanied this demand with a threat to strike Respondent Clara-Val's plant. Respondent Clara-Val thereupon discharged Stiers on June 24, 1948.

The Trial Examiner found, and we agree, that the contract in question had been renewed in 1948 after the enactment of the amended Act, and therefore that Section 103 did not preserve the contract as a defense to the discharge. Accordingly, we agree with the Trial Examiner's conclusions that the union-security provision of the contract, executed

without an election pursuant to Section 9(e), did not satisfy the requirements of the amended Act; that the Respondent Clara-Val violated Section 8(a)(3) and 8(a)(1) of the amended Act by discharging Stiers because she was no longer a member of the Union; and that the Respondent Union violated Section 8(b)(2) in causing Respondent Clara-Val to discriminate against Stiers in violation of Section 8(a)(3).²

2. The Trial Examiner found that the Respondent Union, by causing Respondent Clara-Val discriminatorily to discharge Stiers, restrained and coerced employees in the exercise of the rights guaranteed by Section 7 thereby violating Section 8(b)(1)(A) of the amended Act.

Section 8(b)(1)(A) provides:

It shall be an unfair labor practice for a labor organization or its agents (1) to restrain or coerce (a) employees in the exercise of the rights guaranteed in Section 7 * * *³

We have found that there was in effect no valid agreement requiring Stiers to be a member of the Respondent Union as a condition of employment.

²H. Milton Newman, an individual d/b/a H. M. Newman, 85 NLRB No. 132.

³Section 7 provides in part:

Employees shall have the right to form, join or assist labor organizations * * * and shall also have the right to refrain from any or all of such activities except to the extent that such right may be affected by an agreement requiring membership in a labor organization as a condition of employment as authorized in Section 8(a)(3).

Accordingly, she was entitled to exercise the right to engage in, or to refrain from engaging in, all the activities enumerated in Section 7 of the Act without restraint or coercion from either the Respondent Company (Section 8(a) (1) or from the Respondent Union (Section 8(b)(1)(A)). Because she exercised the right, guaranteed by Section 7, to refrain from engaging in such activities, the Union caused the Respondent Clara-Val discriminatorily to discharge her.

The legislative history of the amended Act establishes, as the Board has found,⁴ that Section 8(b)(1)(A) was designed by Congress to eliminate not only the use by unions of physical violence and coercion, but also union threats of economic action against specific individuals in an effort to compel them to join or assist a union. Holding, however, that Congress did not intend a violation of Section 8(b)(1)(A) to flow automatically in all cases from a union's violation of Section 8(b)(2), the Board declared in the NMU case that "The touchstone of a strike which is violative of Section 8(b)(1)(A) is normally the means by which it is accomplished, so long as its objective is directly related to the interest of the strikers and not directed primarily at compelling other employees to forego the rights which Section 7 protects." (Emphasis added.)

⁴National Maritime Union of America, et al., 78 NLRB 971; National Maritime Union of America, et al., 82 NLRB No. 152; Perry Norvell Company, 80 NLRB No. 47; International Typographical Union, et al., 86 NLRB No. 115.

The Present case falls squarely within the underscored exception. It involves union conduct which was directed primarily at compelling employee Stiers to forego the rights which Section 7 protects. That Section 8(b)(1)(A) prescribes the threat of the type of economic action in question, has already been decided in the Smith Cabinet and Seamprufe cases.⁵ In both these cases a majority of the Board found that the mere voicing of a threat that employees who did not join the union would lose their jobs when the union organized the plant, was a violation of Section 8(b)(1)(A). And in the Julius Resnick case⁶ the Board held that the mere execution of an illegal union-security contract restrained employees in the exercise of rights guaranteed by Section 7 of the Act.⁷ In view of these decisions, in which our dissenting colleague joined, it would be anomolous to conclude that the actual effectuation of the threat, or enforcement of the illegal contract against a specific individual employee, did not likewise constitute restraint.

We cannot subscribe to the view of the dissent

⁵Smith Cabinet Manufacturing Company, Inc., 82 NLRB No. 56; Seamprufe, Incorporated, 82 NLRB No. 106. (Chairman Herzog and Member Houston dissenting.)

⁶Julius Resnick, Inc., 85 NLRB No. 10.

⁷See also the numerous representation cases in which the Board held that an illegal security clause, "by its very existence acts as a restraint on employees desiring to refrain from union activity." Hazel-Atlas Co., 85 NLRB No. 215.

that the Union's action here was directed only to the employer. The discharge and the reason for it would inevitably become known to the other employees, and would coerce and restrain them to join the Union or retain their membership in it. We would not permit the Union to avoid responsibility for this inevitable and direct result of its action in procuring the discharge of a particular employee.

We conclude, therefore, that by causing Stiers to be discriminatorily discharged the Union restrained Stiers in the exercise of her rights guaranteed under Section 7 of the amended Act and thereby violated Section 8(b)(1)(A) of the amended Act.

ORDER

Upon the entire record in the case and pursuant to Section 10(c) of the National Labor Relations Act, as amended, the National Labor Relations Board hereby orders that:

1. The Respondent, Clara-Val Packing Company, Morgan Hill, California, its officers, agents, successors, and assigns, shall:

(a) Cease and desist from:

(1) Encouraging membership in Cannery Warehousemen, Food Processors, Drivers and Helpers, Local Union No. 679, AFL, or in any other labor organization of its employees, by discharging any of its employees or discriminating in any other manner in regard to their hire or tenure of employ-

ment or any term or condition of their employment;

(2) In any other manner interfering with, restraining, or coercing its employees in the right to refrain from exercising the rights guaranteed in Section 7 of the Act, except to the extent that such rights may be affected by an agreement requiring membership in a labor organization as a condition of employment as authorized by Section 8(a)(3) of the Act.

(b) Take the following affirmative action, which the Board finds will effectuate the policies of the Act:

(1) Offer to Nora E. Stiers immediate and full reinstatement to her former or a substantially equivalent position without prejudice to her seniority or other rights and privileges;

(2) Post at its plant at Morgan Hill, California, copies of the notice attached hereto as Appendix A.⁸ Copies of said notice to be furnished by the Regional Director for the Twentieth Region shall, after being duly signed by the Respondent Company's representative, be posted by it immediately upon receipt thereof, and be maintained by it for a period of at least sixty (60) consecutive days thereafter, in conspicuous places, including all places where no-

⁸In the event this order is enforced by decree of a United States Court of Appeals, there shall be inserted before the words: "A Decision and Order" the words: "A Decree of the United States Court of Appeals Enforcing."

tices to employees are customarily posted. Reasonable steps shall be taken by the Respondent Company to insure that such notices are not altered, defaced, or covered by any other material;

(3) Notify the Regional Director for the Twentieth Region in writing, within ten (10) days from the date of this Decision and Order, what steps the Respondent Company has taken to comply herewith.

2. The Respondent, Cannery Warehousemen, Food Processors, Drivers and Helpers, Local Union No. 679, AFL, its officers, representatives and agents, shall:

(a) Cease and desist from:

(1) Causing, by threatening strike action Clara-Val Packing Company, its officers, agents, successors, or assigns, to discharge or otherwise discriminate against employees because they are not members in good standing in Cannery Warehousemen, Food Processors, Drivers and Helpers, Local Union No. 679, AFL, except in accordance with Section 8(a)(3) of the Act;

(2) In any other manner causing or attempting to cause Clara-Val Packing Company, its officers, agents, successors or assigns, to discriminate against its employees in violation of Section 8(a)(3) of the Act:

(3) Restraining or coercing employees of Clara-Val Packing Company, its successors, or assigns,

in the exercise of their right to refrain from any or all of the concerted activities guaranteed by Section 7.

(b) Take the following affirmative action, which the Board finds will effectuate the policies of the Act:

(1) Post at its offices, if any, at Morgan Hill, California, and wherever notices to its members are customarily posted, copies of the notice attached hereto as Appendix B.⁹ Copies of said notice, to be furnished by the Regional Director for the Twentieth Region shall, after being duly signed by the Respondent Union's representative, be posted by it immediately upon receipt thereof, and be maintained by it for a period of at least sixty (60) consecutive days thereafter, in conspicuous places, including all places where notices to members are customarily posted. Reasonable steps shall be taken by the Respondent Union to insure that such notices are not altered, defaced, or covered by any other material;

(2) Notify the Regional Director for the Twentieth Region in writing, within ten (10) days from the date of this Decision and Order, what steps it has taken to comply herewith.

3. Clara-Val Packing Company, its officers, agents, successors, and assigns, and Cannery Ware-

⁹In the event this order is enforced by decree of a United States Court of Appeals, there shall be inserted before the words: "A Decision and Order" the words: "A Decree of the United States Court of Appeals Enforcing."

housemen, Food Processors, Drivers and Helpers, Local Union No. 679, AFL, its officers, representatives, and agents, shall jointly and severally make whole Nora E. Stiers for any loss of pay she may have suffered because of the discrimination against her, by payment to her of a sum of money equal to the amount she normally would have earned as wages from June 24, 1948, the date she was discriminatorily discharged, to the date of the Respondent Company's offer of reinstatement, less her net earnings during said period.

Signed at Washington, D. C., this 16th day of December, 1949.

PAUL M. HERZOG,

.....,

Chairman.

JOHN M. HOUSTON,

.....,

Member.

J. COPELAND GRAY,

.....,

Member.

[Seal]

NATIONAL LABOR
RELATIONS BOARD.

Appendix A

Notice to All Employees

Pursuant to a Decision and Order

of the National Labor Relations Board, and in order to effectuate the policies of the National Labor Relations Act, as amended, we hereby notify our employees that:

We Will Not encourage membership in Cannery Warehousemen, Food Processors, Drivers and Helpers, Local Union No. 679, AFL, or in any other labor organization of our employees, by discriminatorily discharging any of our employees or discriminating in any other manner in regard to their hire or tenure of employment, or any terms or conditions of employment.

We Will Not in any other manner interfere with, restrain, or coerce our employees in the right to refrain from any or all of the concerted activities guaranteed them by Section 7 of the Act, except to the extent that such right may be affected by an agreement requiring membership in a labor organization as a condition of employment, as authorized in Section 8 (a) (3) of the Act.

We Will make Nora E. Stiers whole for any loss of pay suffered as a result of the discrimination against her.

All our employees are free to become, remain, or refrain from becoming or remaining, members in good standing of the above-named Union or any other labor organization except to the extent that

this right may be affected by an agreement in conformity with Section 8 (a) (3) of the amended Act.

CLARA-VAL PACKING
COMPANY,
Employer.

Dated

By

(Representative) (Title)

This notice must remain posted for sixty (60) days from the date hereof, and must not be altered, defaced, or covered by any other material.

Appendix B

To All Members of Cannery Warehousemen, Food Processors, Drivers and Helpers, Local Union No. 679, AFL, and to All Employees of Clara-Val Packing Company

Pursuant to a Decision and Order of the National Labor Relations Board, and in order to effectuate the policies of the National Labor Relations Act, as amended, we hereby notify you that:

We Will Not cause, by threatening strike action, Clara-Val Packing Company, its agents, successors, or assigns, to discharge or otherwise discriminate against employees because they are not members in good standing in Cannery Warehousemen, Food Processors, Drivers and Helpers, Local Union No. 679, AFL, except in accordance with Section 8 (a) (3) of the Act.

We Will Not in any other manner cause or at-

tempt to cause Clara-Val Packing Company, its agents, successors, or assigns to discriminate against its employees in violation of Section 8 (a) (3) of the Act.

We Will Not restrain or coerce employees of Clara-Val Packing Company, its successors, or assigns, in the exercise of the right to refrain from any or all of the concerted activities guaranteed to them by Section 7 of the Act.

We Will make Nora E. Stiers whole for any loss of pay she may have suffered because of the discrimination against her.

.....

Cannery Warehousemen, Food Processors, Drivers and Helpers, Local Union No. 679, AFL.

Dated

By

(Representative) (Title)

This notice must remain posted for 60 days from the date hereof, and must not be altered, defaced, or covered by any other material.

James J. Reynolds, Jr., Member, concurring in part, dissenting in part:

I concur in the finding of the majority of the Board that the Respondent Clara-Val violated Section 8 (a) (3) and (1) of the Act by discharging Stiers because she was no longer a member of the Union. I also concur in the finding that the Respondent Union violated Section 8 (b) (2) of the Act by causing Clara-Val to discriminate against

Stiers in violation of Section 8 (a) (3). However, I disagree with the finding that the Respondent Union also violated Section 8 (b) (1) (a) of the Act by causing Clara-Val to discriminate against Stiers.

Section 8(b)(2) provides that it shall be an unfair labor practice for a labor organization "to cause * * * an employer to discriminate against an employee in violation of subsection (a)(3)." (Emphasis added.) Section 8(b)(1)(A), on the other hand, provides that it shall be unfair labor practice for a labor organization "to restrain or coerce * * * employees in the exercise of the rights guaranteed in Section 7." (Emphasis added.) Thus, Section 8(b)(2) prescribes certain union activity directed at employers, whereas Section 8(b)(1)(a) prescribes other union activity directed at employees. It is the failure of my colleagues to observe this distinction which is, in my opinion, responsible for their erroneous conclusion that the Respondent Union also violated Section 8(b)(1)(A).

¹Our decisions imply the existence of this distinction. In the NMU and Perry Norvell² cases, the Board considered allegations in the complaints that by engaging in strikes the respective respondent unions violated Section 8(b)(1)(A) of the Act. In the NMU case the strike, like the Union conduct in the present case, violated Section

¹National Maritime Union of America, et al. (The Texas Company), 78 NLRB 971.

²United Shoe Workers of America, et al. (Perry Norvell), 80 NLRB No. 47.

8(b)(2) of the Act. In the Perry Norvell case, it was not alleged, nor did it appear, that the strike violated Section 8(b)(2). In both cases the Board found that the strike did not violate Section 8(b)(1)(A). Yet in both cases Board acknowledged that all strikes, including the strikes in question, encroached upon the rights of employees guaranteed by Section 8(b)(1)(a) of the Act. In the Perry Norvell case, despite the effect of the strike upon the rights of employees guaranteed in Section 8(b)(1)(A), the Board stated that "the legislative history of the Act shows that, by this particular Section [8(b)(1)(A)], Congress primarily intended to prescribe the coercive conduct which sometimes accompanies a strike, but not the strike itself." The reason for this elimination of strikes generally from the purview of Section 8(b)(1)(A) can, I believe, be succinctly expressed in language from the NMU case, that a strike has "as its prime objective the protection of employment interests of [union] members, and not the coercing of non-members."

Thus the decisions of the NMU and Perry Norvell cases, the language of Section 8(b)(1)(A) and 8(b)(2), and the legislative history of Section 8(b)(1)(A)³ indicate that where action by a union is directed at employers, the incidental effect of such action upon employee rights protected by Section 8(b)(1)(A) is not sufficient to bring the action within the prescription of Section 8(b)(1)(A). If this were not so, unions would be

³See the NMU and Perry Norvell cases, *supra*, for a comprehensive study legislative history of Section 8(b)(1)(A).

forever precluded from exerting upon employers, in furtherance of valid union objectives, primary pressures such as strikes and peaceful picketing despite the fact that these activities impose upon disputant employers and the striking and picketing employees great hardships and expense without regard to the effect of the activities upon non-participating employees whose rights Section 8(b)(1)(A) seeks to protect. Mindful, therefore, of the distinction between subsections 8(b)(1)(A) and 8(b)(2), unions are, in my opinion, afforded an area of primary activity which being primarily directed at employers is not to be circumscribed because it incidentally may affect employee rights protected in Section 8(b)(1)(A).⁴

Because the Union's activity in this case was directed primarily at Clara-Val rather than at coercing or restraining employees, the Smith Cabinet and Seamprufe cases, cited by the majority, are not controlling. In these cases the union threats which the Board found to be coercive were made directly to individual employees. Nor in my opinion is it controlling that in the Julius Resnick case, also cited by the majority, the Board held that an employer who violated Section 8(a)(2) by the mere execution of an illegal union-security agreement, also restrained employees in violation of Section 8(a)(1) by the same conduct. The Board generally finds that an employer automatically interferes with,

⁴Cf. *Oil Workers International Union, Local Union 346 (CIO and the Pure Oil Company*, 84 NLRB No. 38.

restrains, or coerces employees as a result of committing other unfair labor practices. However, in the NMU case, *supra*, the Board specifically stated that there was no "suggestion in the legislative history of Section 8(b)(1)(A) that 'coercion' and 'restraint' may be found to flow automatically from a union's violation of Section 8(b)(2)" where the efforts of the union were not directed against employees. Moreover, the same rule cannot be applied to employers and unions with respect to derivative violations of subsections 8(a)(1) and 8(b)(1)(A) respectively, for 8(a)(1) prescribes "interfering with" employees in the exercise of their rights guaranteed in Section 7, whereas there is no similar prescription in 8(b)(1)(A).

Upon the basis of all the foregoing I am of the opinion that where the Board finds that certain conduct of a union violates Section 8(b)(2) of the Act, the same conduct does not constitute a violation of Section 8(b)(1)(A). Accordingly, as we are finding that the conduct of the Respondent Union violated Section 8(b)(2), I would dismiss the allegation in the complaint that the Respondent Union, by the same conduct, violated Section 8(b)(1)(A) of the Act.

Signed at Washington, D. C., this 16th day of December, 1949.

JAMES J. REYNOLDS, JR.,
Member.
NATIONAL LABOR
RELATIONS BOARD.

[Title of Board and Cause.]

MR. EUGENE K. KENNEDY,

For the General Counsel.

MR. I. B. PADWAY,

Of San Francisco, Calif.

For the Respondent Union.

MR. VINCENT C. GIORDANO,

Of Morgan Hill, Calif.,

For the Respondent Company.

INTERMEDIATE REPORT

Statement of the Case

Upon charges duly filed by Nora E. Stiers, an individual, the General Counsel of the National Labor Relations Board, herein called respectively the General Counsel and the Board, by the Regional Director for the Twentieth Region (San Francisco, California), issued his consolidated complaint dated November 30, 1948, against Clara-Val Packing Company, herein called the Respondent Company, and Cannery Warehousemen, Food Processors, Drivers and Helpers, Local Union No. 679, AFL, herein called the Respondent Union, and jointly referred to as the Respondents, alleging that the Respondents had engaged in and were engaging in unfair labor practices affecting commerce within the meaning of Section 8(a)(1) and (3) and Section 8(b)(1)(A) and (2), respectively, and Section 2(6) and (7) of the National Labor Relations Act, 49 Stat. 449, as amended by the Labor Management Relations Act, 61 Stat. 136, herein called the Act. Copies of the complaint, accompanied by notice of

hearing and copies of the charges, were duly served upon the Respondents and Stiers.

With respect to the unfair labor practices, the complaint alleged in substance that: (1) on or about June 24, 1948, the Respondent Company, at the request and demand of the Respondent Union, discharged and thereafter refused to reinstate Stiers because of her alleged failure to maintain membership in good standing in the Respondent Union; and (2) by such acts the Respondent Company acted in contravention of the provisions of Section 8(a)(1) and (3) and the Respondent Union acted in contravention of the provisions of Section 8(b)(1)(A) and (2), respectively, of the Act.

Neither Respondent filed an answer but both denied at the hearing, and the Respondent Union denies in its brief thereafter filed, that they, or either of them, acted in contravention of any provision of the Act.

Pursuant to notice, and a necessary postponement¹ a hearing was held on March 23, 1949, at

¹The train in which the undersigned was proceeding to the place of the hearing suffered a wreck shortly before midnight, March 21, 1949, the day before the hearing was scheduled, and arrived at its destination some 10 hours late. Upon being informed of the unavoidable delay suffered by the undersigned in consequence of this mishap, the parties, and the official reporter, being present at the place of hearing, determined "that a record be made at this time for the purpose of submitting to the Trial Examiner and shall be considered by him as though it were taken during the course of a formal hearing opened by the Trial Examiner."

San Francisco, California, before the undersigned Josef L. Hektoen, the Trial Examiner duly designated by the Chief Trial Examiner. The General Counsel, the Respondent Company, and the Respondent Union were represented by counsel and participated in the hearing. Full opportunity to examine and cross-examine witnesses and to introduce evidence bearing upon the issues was afforded to all parties. The proceedings of the previous day covering some 26 pages of transcript were incorporated in the record by stipulation and the exhibits offered by the General Counsel and the Respondent Union were admitted into evidence. The motion of the General Counsel to amend the complaint in two minor particulars is hereby allowed without objection. The General Counsel and counsel for the Respondent Union argued briefly on the record. After the close of the hearing, a brief was received from counsel for the Respondent Union.

Upon the entire record in the case,² the undersigned makes the following:

Findings of Fact

I. The business of the Respondent Company

The Respondent Company, Clara-Val Packing Company, is a California corporation maintaining its principal place of business at Morgan Hill, California. It is there engaged in processing and shipping fruit. During the last half of 1948, it

²No witnesses were called, there being no dispute as to the facts in the case, which were stipulated by the parties.

bought fruit valued at more than \$300,000.00, all from points within the State of California. During the same period, it sold finished products valued at approximately \$400,000.00, of which about 90 per cent by value were shipped by it to points outside the State of California.

The Respondent Company admits, and the undersigned finds, that it is engaged in commerce, within the meaning of the Act.

II. The organization involved

Cannery Warehousemen, Food Processors Drivers and Helpers, Local Union No. 679, AFL, is a labor organization admitting to membership employees of the Respondent Company.

III. The unfair labor practices

A. Background and undisputed facts

As stated above, there is no dispute as to the factual situation obtaining in this case, the only question for determination being the legal conclusions that flow therefrom.

On June 24, 1948, the date of Stiers' discharge, the Respondents were in contractual relations pursuant to the terms of a contract between California Processors and Growers, Inc., a group of California cannery operators of which the Respondent Company is not a member, and California State Council of Cannery Unions, AFL, of which the Respondent Union is a part, the Respondents having agreed to operate under the terms of such con-

tract. The date of their agreement to this effect does not appear with certainty in the record. In any event, the "Master" contract was adopted on June 10, 1941, was thereafter amended on six occasions, the last of these having occurred on May 20, 1947,³ and it was this amended contract under the terms of which Stiers was discharged.

The contract provided that employees in Stiers' category "shall be and shall remain members of the local in good standing as a condition of continued employment" and further provided that, absent the timely service of certain prescribed notices by either party thereto upon the other, the contract "shall continue without expiration date." It further provided that March 1 of each year be its "anniversary date." At the time of Stiers' discharge the March 1, 1948, anniversary date of the contract had passed without service of such notice by either party upon the other.

About the middle of June, 1948, Stiers was a dues-paying member of the Respondent Union and was employed by the Respondent Company. It came to the attention of the former that Stiers, in violation of union rules, was in the habit of penetrating union picket lines at the plant of Driscoll Strawberries, Inc., with which the Respondent Union was then engaged in an economic controversy, and performing work at the struck plant after her hours of duty at the Respondent Company's plant had been completed. She was tried by the Respond-

³The contract was made effective as of March 1, 1947.

ent Union, found guilty, and assessed a fine of \$200.00, which was reduced to \$25.00 in consideration of her undertaking to cease violation of its laws in the future. Stiers failed to pay any part of the fine, continued to breach the picket lines at the Driscoll plant, and was thus rendered not in "good standing" in the Respondent Union.

On June 24, 1948, I. G. Ficarotta, business representative of the Respondent Union, informed Vincent C. Giordano, president of the Respondent Company, accordingly and demanded that it discharge her. The demand was accompanied by a threat that the Respondent Company would be struck and picketed should it refuse to discharge Stiers.

The Respondent Company discharged Stiers on the same day.

B. Conclusions

The General Counsel's position is that the contract section setting forth the term of the agreement fails to fall within the protection of Section 102 of the Act⁴ in that it provides for annual renewal and that

⁴Sec. 102. No provision of this title shall be deemed to make an unfair labor practice any act which was performed prior to the date of the enactment of this Act which did not constitute an unfair labor practice prior thereto, and the provisions of section 8 (a) (3) and section 8 (b) (2) of the National Labor Relations Act as amended by this title shall not make an unfair labor practice the performance of any obligation under a collective-bargaining agreement entered into prior to the date of the enactment of this Act, or (in the case of an agreement for a period of not

its closed-shop provision was therefore inapplicable after March 1, 1948. Counsel for the Respondent Union contends that the contract was neither "renewed" nor "extended," within the meaning of Section 102, but was merely not "terminated," within the meaning of its own provisions and that it therefore continued in full force and effect and protected the parties against what it is tacitly admitted would otherwise constitute violations of Sections 8 (a) (1) and (3) and 8 (b) (1) (A) and (2).

The language of the contract, providing as it does for an annual "anniversary date" and for notice of termination within a stated period before such date, constitutes, in the opinion of the undersigned, despite that by its terms, absent notice of termination or certain other prescribed notices, the contract shall continue in effect "without expiration date," a form of "automatic renewal clause" often considered by the Board and the courts in both representation and dual-unionism matters.⁵ It appears to the under-

⁵See e.g., *N.L.R.B. v. Geraldine Novelty Company, Inc., et al.*, decided March 15, 1949, (C.A. 2), 23 L.R.R. 2483, and cases therein cited.

more than one year) entered into on or after such date of enactment, but prior to the effective date of this title, if the performance of such obligation would not have constituted an unfair labor practice under section 8 (3) of the National Labor Relations Act prior to the effective date of this title, unless such agreement was renewed or extended subsequent thereto. (Emphasis supplied.)

The Act was enacted on June 23, 1947, the effective date of the amendments made by Title I thereof being August 22, 1947.

signed to be clear from the holdings in such cases, that, should a rival union file a petition before what is known as the "Mill B" or automatic renewal date,⁶ the contract would not be held a bar to the proceedings. Similarly, the undersigned believes that activities on behalf of a rival union in a protected period before an anniversary date of the contract, would receive safeguard. By analogy then, it must be found that the contract provisions contained an "automatic renewal clause."

The undersigned finds that the contract was on March 1, 1948, renewed or extended, within the meaning of Section 102 of the Act.

It follows that, although the contract was valid under the Act before its amendment, since the Amended Act not only abolishes the closed shop but also provides for a union security election before so much as a 30-day union shop provision may legally be included in a collective bargaining agreement,⁷ the Respondent Company has discriminated against Stiers in regard to the hire and tenure of her employment to encourage membership in a labor organization, and has thereby interfered with, restrained, and coerced its employees in the exercise of the rights guaranteed in Section 7 of the Act. It also follows that, by causing it to do so, the Respondent Union has restrained and coerced an

⁶Matter of Mill B, Inc., 40 N.L.R.B. 346, 351.

⁷See Section 8 (a) (3) and the proviso thereto.

employee in the exercise of those rights. The undersigned so finds.

IV. The effect of the unfair labor practices upon commerce

The activities of the Respondents set forth in Section III above, occurring in connection with the operations of the Respondent Company set forth in Section I above, have a close, intimate, and substantial relation to trade, traffic, and commerce among the several States and tend to lead to labor disputes burdening and obstructing commerce and the free flow of commerce.

V. The remedy

Having found that the Respondents, and each of them, have engaged in and are engaging in certain unfair labor practices, it will be recommended that they cease and desist therefrom and take certain affirmative action, designed to effectuate the policies of the Act.

It has been found that the Respondent Company on June 24, 1948, discriminated against Nora E. Stiers in regard to the hire and tenure of her employment because she failed to maintain good standing in the Respondent Union, and that the latter by causing it to do so, restrained and coerced her in the exercise of the rights guaranteed in Section 7 of the Act. It will therefore be recommended that the Respondent Company offer to her immediate and full reinstatement to her former or substantially equiva-

lent position⁸ without prejudice to her seniority or other rights and privileges. It will be further recommended that the Respondents, jointly and severally, make her whole for any loss of pay she may have suffered by reason of the discrimination and coercion against her by payment to her of a sum of money equal to that which she normally would have earned as wages from the date of her discriminatory discharge, to the date of the Respondent Company's offer of reinstatement,⁹ less her net earnings during said period.¹⁰

Upon the basis of the foregoing findings of fact

⁸In accordance with the Board's consistent interpretation of the term, the expression "former or substantially equivalent position" is intended to mean "former position wherever possible, and if such position is no longer in existence, then to a substantially equivalent position." See Matter of The Chase National Bank of the City of New York, San Juan, Puerto Rico Branch, 65 N.L.R.B. 827.

⁹See Section 10 (c) of the Act which provides that back pay which will effectuate the policies of the Act "may be required of the employer or labor organization, as the case may be, responsible for the discrimination. . . ." Since the Respondent Company, as is shown above and by the transcript, would not have discharged Stiers but for the pressure put upon it to do so by the Respondent Union, it appears to be expedient to require that both Respondents share liability for the consequences of their mutually illegal acts.

¹⁰See Matter of Crosset Lumber Company, 8 N.L.R.B. 440. Republic Steel Company v. N.L.R.B., 311 U. S. 7.

and upon the entire record in the case, the undersigned makes the following:

Conclusions of Law

1. The Respondent Union, Cannery Warehousemen, Food Processors, Drivers and Helpers, Local Union No. 679, AFL, is a labor organization, within the meaning of Section 2 (5) of the Act.

2. By discriminating in regard to the hire and tenure of employment of Nora E. Stiers, thereby encouraging membership in the Respondent Union, the Respondent Company, Clara-Val Packing Company, has engaged in and is engaging in unfair labor practices, within the meaning of Section 8 (a) (3) of the Act.

3. By interfering with, restraining, and coercing its employees in the exercise of rights guaranteed in Section 7 of the Act, the Respondent Company has engaged in and is engaging in unfair labor practices, within the meaning of Section 8 (a) (1) of the Act.

4. By causing the Respondent Company to discriminate against an employee in violation of Section 8 (a) (3) of the Act, the Respondent Union has engaged in and is engaging in unfair labor practices, within the meaning of Section 8 (b) (2) of the Act.

5. By restraining and coercing employees in the exercise of the rights guaranteed in Section 7 of the Act, the Respondent Union has engaged in and is engaging in unfair labor practices, within the meaning of Section 8 (b) (1) (A) of the Act.

6. The aforesaid unfair labor practices are unfair labor practices affecting commerce, within the meaning of Section 2 (6) and (7) of the Act.

Recommendations

Upon the basis of the above findings of fact and conclusions of law, and upon the entire record herein, the undersigned recommends that:

1. The Respondent Company, Clara-Val Packing Company, Morgan Hill, California, its officers, agents, successors, and assigns, shall:

(a) Cease and desist from:

(1) Encouraging membership in Cannery Warehousemen, Food Processors, Drivers and Helpers, Local Union No. 679, AFL, or in any other labor organization of its employees, by discriminating in regard to their hire or tenure of employment or any term or condition of their employment;

(2) In any other manner interfering with, restraining, or coercing its employees in the exercise of the rights guaranteed in Section 7 of the Act.

(b) Take the following affirmative action, which the undersigned finds will effectuate the policies of the Act:

(1) Offer to Nora E. Stiers immediate and full reinstatement to her former or substantially equivalent position without prejudice to her seniority or other rights and privileges;

(2) Jointly and severally with the Respondent Union, make her whole for any loss of pay she may

have suffered by reason of their discrimination and restraint and coercion against her, in the manner set forth in the Section entitled "The remedy," above;

(3) Post at its plant at Morgan Hill, California, copies of the notice attached hereto and marked Appendix A. Copies of said notice, to be furnished by the Regional Director for the Twentieth Region shall, after being duly signed by the Respondent Company's representative, be posted by it immediately upon receipt thereof, and be maintained by it for a period of at least sixty (60) consecutive days thereafter, in conspicuous places, including all places where notices to employees are customarily posted. Reasonable steps shall be taken by the Respondent Company to insure that such notices are not altered, defaced, or covered by any other material;

(4) Notify the Regional Director for the Twentieth Region in writing, within twenty (20) days from the receipt of this Intermediate Report, what steps the Respondent Company has taken to comply herewith.

2. The Respondent Union, Cannery Warehousemen, Food Processors, Drivers and Helpers, Local Union No. 679, its officers, agents, successors, and assigns, shall:

(a) Cease and desist from:

(1) Causing or attempting to cause Clara-Val Packing Company, or any other employer, to discriminate against an employee in violation of Section 8 (a) (3) of the Act;

(2) In any other manner restraining or coercing employees in the exercise of the rights guaranteed in Section 7 of the Act.

(b) Take the following affirmative action, which the undersigned finds will effectuate the policies of the Act:

(1) Jointly and severally with the Respondent Company, make whole Nora E. Stiers for any loss of pay she may have suffered by reason of their discrimination and restraint and coercion against her, in the manner set forth in the Section entitled "The remedy," above;

(2) Post at its offices, if any, at Morgan Hill, California, and post or offer to post, at the plant of Clara-Val Packing Company, of the same place, copies of the notice attached hereto and marked Appendix B. Copies of said notice, to be furnished by the Regional Director for the Twentieth Region shall, after being duly signed by the Respondent Union's representative, be posted by it immediately upon receipt thereof, and be maintained by it for a period of at least sixty (60) consecutive days thereafter, in conspicuous places, including all places where notices to members are customarily posted. Reasonable steps shall be taken by the Respondent Union to insure that such notices are not altered, defaced, or covered by any other material. Copies of the notice shall be posted, or attempted to be posted, at the plant of the Respondent Company and maintained in the fashion set out above;

(3) Notify the Regional Director for the Twen-

tieth Region in writing, within twenty (20) days from the receipt of this Intermediate Report what steps it has taken to comply herewith.

It is further recommended that unless on or before twenty (20) days from the receipt of this Intermediate Report, the Respondent Company notifies said Regional Director in writing that it will comply with the foregoing recommendations, the National Labor Relations Board issue an order requiring it to take the action aforesaid.

It is further recommended that unless on or before twenty (20) days from the receipt of this Intermediate Report, the Respondent Union notifies said Regional Director in writing that it will comply with the foregoing recommendations, the National Labor Relations Board issue an order requiring it to take the action aforesaid.

As provided in Section 203.46 of the Rules and Regulations of the National Labor Relations Board—Series 5, as amended August 18, 1948, any party may, within twenty (20) days from the date of service of the order transferring the case to the Board, pursuant to Section 203.45 of said Rules and Regulations, file with the Board, Washington 25, D. C., an original and six copies of a statement in writing setting forth such exceptions to the Intermediate Report and Recommended Order or to any other part of the record or proceedings (including rulings upon all motions or objections) as he relies upon, together with the original and six copies of a brief in support thereof; and any party may, within the same period, file an original and six

copies of a brief in support of the Intermediate Report and Recommended Order. Immediately upon the filing of such statement of exceptions and/or briefs, the party filing the same shall serve a copy thereof upon each of the other parties. Statements of exceptions and briefs shall designate by precise citation the portions of the record relied upon and shall be legibly printed or mimeographed, and if mimeographed shall be double spaced. Proof of service on the other parties of all papers filed with the Board shall be promptly made as required by Section 203.85. As further provided in said Section 203.46, should any party desire permission to argue orally before the Board, request therefor must be made in writing to the Board within ten (10) days from the date of service of the order transferring the case to the Board.

In the event no Statement of Exceptions is filed as provided by the aforesaid Rules and Regulations, the findings, conclusions, recommendations, and recommended order herein contained shall, as provided in Section 203.48 of said Rules and Regulations, be adopted by the Board and become its findings, conclusions, and order, and all objections thereto shall be deemed waived for all purposes.

Dated at Washington, D. C., this 6 day of June, 1949.

/s/ JOSEF L. HEKTOEN,
Trial Examiner.

Appendix A

Notice To All Employees
Pursuant To

The Recommendations of a Trial Examiner of the National Labor Relations Board and in order to effectuate the policies of the National Labor Relations Act, we hereby notify our employees that:

We Will Not discriminate in regard to the hire or tenure of employment or any term or condition of employment of any employee to encourage membership in Cannery Warehousemen, Food Processors, Drivers and Helpers, Local Union No. 679, AFL, or any other labor organization.

We Will Offer to Nora E. Stiers immediate and full reinstatement to her former or substantially equivalent position, and jointly and severally with Cannery Warehousemen, Food Processors, Drivers and Helpers, Local Union No. 679, AFL, make her whole for any loss of pay suffered as a result of the discrimination and restraint and coercion against her.

CLARA-VAL PACKING
COMPANY,
(Employer).

Dated.....

By

(Representative) (Title).

This notice must remain posted for 60 days from the date hereof, and must not be altered, defaced, or covered by any other material.

Appendix B

Notice To All Members
Pursuant To

The Recommendations of a Trial Examiner of the National Labor Relations Board, and in order to effectuate the policies of the National Labor Relations Act, we hereby notify our members that:

We Will Not cause or attempt to cause Clara-Val Packing Company, Morgan Hill, California, or any other employer, to discriminate against its employees in regard to their hire or tenure of employment or any term or condition of employment to encourage membership in any labor organization in violation of Section 8 (a) (3) of the National Labor Relations Act.

We Will, jointly and severally with Clara-Val Packing Company, make Nora E. Stiers whole for any loss of pay suffered as a result of the discrimination and restraint and coercion against her.

CANNERY WAREHOUSEMEN, FOOD PROCESSORS, DRIVERS AND HELPERS,
LOCAL UNION No. 679, AFL,
(Labor Organization).

Dated.....

By.....,

(Representative) (Title).

This notice must remain posted for 60 days from the date hereof, and must not be altered, defaced, or covered by any other material.

[Title of Board and Cause.]

ORDER CORRECTING
DECISION AND ORDER

On December 16, 1949, the Board issued a Decision and Order in the above-entitled proceeding.

It Is Hereby Ordered that the aforesaid Decision and Order be, and it hereby is, corrected as follows:

1. On page 8 Paragraph 1, line 7 the phrase "Section 8 (b) (1) (a)" should read "Section 8 (b) (1) (A)"; line 8, the word "discrimintae" should read "discriminate."

2. Paragraph 2, line 7, the word "prescribes" should read "proscribes"; line 8 the phrase "Section 8 (b) (1) (a) prescribes" should read "Section 8 (b) (1) (A) proscribes."

3. Paragraph 3, line 8 should read as follows: "that the strike did not violate Section 8 (b) (1) (A). Yet in both cases the"; line 10, the phrase "Section 8 (b) (1) (a) should read "Section 8 (b) (1) (A)"; line 14, the word "prescribe" should read "proscribe."

4. Paragraph 4, line 6, the word "prescription" should read "proscription."

5. Footnote 3 should read as follows: "3 See the NMU and Perry Norvell cases, *supra*, for a comprehensive study of the legislative history of Section 8 (b) (1) (A)."

6. On page 9, line 18 of the first full paragraph, the word "prescribes" should read "proscribes,"

and line 20, the word "prescription" should read "proscription."

It Is Further Ordered that the aforesaid Decision and Order as printed, shall appear as hereby corrected.

Dated, Washington, D. C., December 27, 1949.

By direction of the Board:

/s/ LOUIS R. BECKER,

Acting Executive Secretary.

Before the National Labor Relations Board

Twentieth Region

Case No. 20-CA-117, et al.

In the Matter of:

CLARA-VAL PACKING COMPANY, et al.,

and

NORA E. STIERS, an Individual.

Pursuant to notice, the above-entitled matter came on for hearing at 9:30 a.m.

Before: JOSEPH L. HEKTOEN, ESQ.,

Trial Examiner.

Appearances:

EUGENE K. KENNEDY, ESQ.,

San Francisco, California,

Appearing on Behalf of the General
Counsel, National Labor Relations
Board.

I. B. PADWAY, ESQ.,
420 de Young Building,
San Francisco, California,

Appearing on Behalf of Cannery
Workers Union, Local 679.

VINCENT C. GIORDANO, ESQ.,
Morgan Hill, California,
President, Clara-Val Packing Company,
Appearing on Behalf of the Company.

PROCEEDINGS

Trial Examiner Hektoen: May I make an explanatory statement? On account of circumstances beyond my control including a train wreck and other things I was unable to get here until after the close of the hearing yesterday, and this I take it is a sort of a wind-up of findings of fact which the parties have reached agreement on as of yesterday in San Jose, is that correct?

Mr. Kennedy: That's correct, Mr. Examiner.

Mr. Padway: That's right.

Mr. Kennedy: If I might, I might perhaps attempt to state it in a way that might be a little further amplification on the subject.

Trial Examiner Hektoen: Yes.

Mr. Kennedy: When we learned that you were unavoidably delayed yesterday, the parties, Mr. Padway and Mr. Giordano particularly, had commitments into the indefinite future which precluded any reasonable time that they could expect to make an

appearance in a hearing, and subject to your approval, the parties decided that inasmuch as a reporter was present they would set forth as best they could the facts as were understood, and as it turned out, there is no disagreement on the facts between counsel for the Respondent Company or the Union or the General Counsel.

* * *

Mr. Kennedy: —I will now so makes the offer that I will stipulate to the proceedings that were— or I should say the record that was made yesterday as being a stipulation of fact to be incorporated in this record.

Trial Examiner Hektoen: All right, Mr. Padway?

Mr. Padway: I do likewise, and in addition to that, I ask that the exhibit which we offered, and which counsel, the representative of the General Counsel for the Board, has a copy of, and which I will furnish three more copies to him today, be received as Union's Exhibit 1.

Trial Examiner Hektoen: And that exhibit is—?

Mr. Padway: Collective Bargaining Agreement in existence at the time that—

Trial Examiner Hektoen: Between the Respondent and the Union?

Mr. Padway: That's correct.

Trial Examiner Hektoen: Or between both respondents. Any objection, Mr. Kennedy?

Mr. Kennedy: No objection.

Trial Examiner Hektoen: It's received.

(The document heretofore marked Union's Exhibit No. 1 for identification, was received in evidence.)

Mr. Kennedy: At this time I will also offer General Counsel's Exhibit 1, consisting of the formal documents.

Trial Examiner Hektoen: I take it there is no objection to that?

Mr. Padway: No objection to that.

Trial Examiner Hektoen: And you are speaking also, I understand, for Mr. Giordano in these formal matters?

Mr. Padway: Yes. He likewise upon presentation of exhibit 1, and subdivisions, agreed that it was agreeable to him.

Trial Examiner Hektoen: Very good. They may both be received.

(The documents heretofore marked General Counsel's Exhibit No. 1(a) through 1(g) inclusive, for identification, were received in evidence.)

GENERAL COUNSEL'S EXHIBIT 1-A

United States of America
National Labor Relations Board
Charge Against Employer

1. Pursuant to Section 10(b) of the National Labor Relations Act, the undersigned hereby charges that Clara-Val Packing Co. at Morgan Hill, California, employing 30 workers in dried fruit packing

has engaged in and is engaging in unfair labor practices within the meaning of Section 8(a) subsections (1) and (3) of said Act, in that:

2. On or about June 29, 1948, it, by its officers, agents and representatives, discriminated in regard to hire and tenure of employment of Nora E. Stiers, one of its employees, because of her refusal to engage in union activity.

By the above act and by other acts and conduct the employer has interfered with, restrained and coerced Nora E. Stiers and is interfering with, restraining and coercing Nora E. Stiers in the rights guaranteed to her by Section 7 of the Act.

The undersigned further charges that said unfair labor practices are unfair labor practices affecting commerce within the meaning of said Act.

3. (Paragraphs 3, 4, and 5 apply only if the charge is filed by a labor organization). The labor organization filing this charge, hereinafter called the union, has complied with Section 9(f) (A), 9(f) (B) (1), and 9(g) of said Act as amended, as evidenced by letter of compliance issued by the Department of Labor and bearing code number The financial data filed with the Secretary of Labor is for the fiscal year ending A certificate has been filed with the National Labor Relations Board in accordance with Section 9(f) (B) (2) stating the method employed by the union in furnishing to all its members copies of the finan-

cial data required to be filed with the Secretary of Labor.

4. Each of the officers of the union has executed a non-communist affidavit as required by Section 9(h) of the Act.

5. Upon information and belief, the national or international labor organization of which this organization is an affiliate or constituent unit has also complied with Section 9(f), (g), and (h) of the Act.

6. (Full name of labor organization, including local name and number, or person filing charge): Nora E. Stiers. (Address): Spring Ave., Morgan Hill, California.

7. (Full name of national or international labor organization of which it is an affiliate or constituent unit): Cannery Warehousemen, Food Processors, Drivers and Helpers, Local Union No. 679. (Address): 288 W. Santa Clara St., San Jose 22, California. (Telephone number): Ballard 3044.

Case No. 20-CA-117.

Date filed 8/3/48.

9(f), (g), (h) cleared Local 679—9/10/48.

AYG

By /s/ NORA E. STIERS,
(Person Filing Charge.)

Subscribed and sworn to before me this 3rd day of August, 1948, at San Francisco, Calif., as true

to the best of deponent's knowledge, information and belief.

/s/ M. C. DEMPSTER,
(Board Agent or
Notary Public.)

GENERAL COUNSEL'S EXHIBIT 1-B

United States of America

National Labor Relations Board

Charge Against Labor Organization or Its Agents

1. Pursuant to Section 10(b) of the National Labor Relations Act, the undersigned hereby charges that Cannery Warehousemen, Food Processors, Drivers and Helpers, Local Union No. 679, A. F. of L., at San Martin and Morgan Hill, Calif., has (have) engaged in and is (are) engaging in unfair labor practices within the meaning of Section 8(b) subsections (1) (a) and (2) of said Act, in that: (Recite in detail in paragraph 2 the basis of the charge. Be specific as to names, addresses, plants, dates, places, and other relevant facts).

2. (a) On or about June 21, 1948, it, by its officers, agents or representatives intimidated and assaulted Nora E. Stiers, an employee of Driscoll, Inc., San Martin, Calif., and damaged her automobile.

(b) On or about June 29, 1948, it, by its officers, agents or representatives caused Clara-Val Packing Company to discriminate against Nora E. Stiers by requesting the Company not to rehire Nora Stiers and to terminate her employment in violation of the provisions of Section 8(a) (3) of the Act.

By the above acts and by other acts and conduct the Union coerced Nora E. Stiers and is interfering with, restraining and coercing Nora E. Stiers in the rights guaranteed to her by Section 7 of the Act.

The undersigned further charges that said unfair labor practices are unfair labor practices affecting commerce within the meaning of said Act.

3. Name of Employer: Clara-Val Packing Co.

4. Location of plant involved: Morgan Hill, Calif. Employing 30 workers.

5. Nature of business: Packing dried fruit.

6. (Paragraphs 6, 7, and 8 apply only if the charge is filed by a labor organization.) The labor organization filing this charge, hereinafter called the union, has complied with Section 9(f) (A), 9(f) (B) (1), and 9(g) of said Act, as amended, as evidenced by letter of compliance issued by the Department of Labor and bearing code number The financial data filed with the Secretary of Labor is for the fiscal year ending A Certificate has been filed with the National Labor Relations Board

in accordance with Section 9(f) (B) (2) stating the method employed by the union in furnishing to all its members copies of the financial data required to be filed with the Secretary of Labor.

7. Each of the officers of the union has executed a non-communist affidavit as required by Section 9(h) of the Act.

8. Upon information and belief, the national or international labor organization of which this organization is an affiliate or constituent unit has also complied with Section 9(f), (g), and (h) of the Act.

(Full name of party filing charge): Nora E. Stiers.

(Address): Spring Ave., Morgan Hill, California.

Case No. 20-CB-29.

Dated Filed 8/3/48.

9(f), (g), (h) cleared Local 679—9/10/49.

AYG

By /s/ NORA E. STIERS,
(Person filing charge.)

Subscribed and sworn to before me this 3d day of August, 1948, at San Francisco, Calif., as true to the best of deponent's knowledge, information and belief.

/s/ M. C. DEMPSTER,
(Board Agent or
Notary Public.)

GENERAL COUNSEL'S EXHIBIT 1-E

United States of America Before the National
Labor Relations Board, Twentieth Region

Case No. 20-CA-117

In the Matter of
CLARA-VAL PACKING COMPANY
and
NORA E. STIERS, an Individual.

Case No. 20-CB-29

In the Matter of
CANNERY WAREHOUSEMEN, FOOD PROC-
ESSORS, DRIVERS AND HELPERS,
LOCAL UNION No. 679, AFL
and
NORA E. STIERS, an Individual.

COMPLAINT

It having been charged by Nora E. Stiers, an individual, that Clara-Val Packing Company, herein called respondent Company, and Cannery Warehousemen, Food Processors, Drivers and Helpers, Local Union No. 679, AFL, herein called respondent Union, have engaged in and are now engaging in certain unfair labor practices affecting commerce as set forth in the National Labor Relations Act, as amended, 29 U.S.C.A. 141 et seq. (Supp. July, 1947), herein called the Act, the General Counsel of the National Labor Relations Board, herein called the Board, by the Regional Director for the Twentieth Region, designated by the Board's Rules and Regu-

lations, Series 5, as amended, Section 203.15, hereby issues his Complaint and alleges as follows:

I.

The respondent Company is, and at all times herein mentioned, has been a California corporation with its plant and principal place of business at Morgan Hill, California, where it is engaged in the business of processing and selling dried fruit.

II.

At all times herein mentioned, the respondent Company in the course and conduct of its business has caused to be shipped from its plant substantial amounts of produce to points outside the State of California. During the year 1947, the respondent sold and shipped processed dried fruit which was valued in excess of \$500,000, and of this amount approximately 25% was shipped to points outside the State of California.

III.

Respondent Union is, and at all times material herein has been, a labor organization within the meaning of Section 2(5) of the Act.

IV.

On or about June 24, 1948, respondent Company, by its agents, officers and employees, discharged Nora E. Stiers upon the request and demand of respondent Union because said respondent Company

had been advised that said Stiers was not in good standing as a member of said respondent Union.

V.

Respondent Company, by the acts set forth in paragraph IV above, did discriminate and is now discriminating in regard to hire and tenure of employment and terms and conditions of employment of Nora E. Stiers, and did encourage, and is encouraging membership in, or adherence to a labor organization, and did thereby engage in, and is thereby engaging in, unfair labor practices within the meaning of Section 8(a)(3) of the Act.

VI.

By the acts set forth in paragraph IV above, the respondent Company did interfere with, restrain and coerce, and is interfering with, restraining and coercing its employees in the exercise of the rights guaranteed them in Section 7 of the Act, and did thereby engage in, and is thereby engaging in, unfair labor practices within the meaning of Section 8(a)(1) of the Act.

VII.

On or about June 24, 1948, the respondent Union, by its officers, agents and employees, did cause the respondent Company to discharge Nora E. Stiers because of her alleged failure to maintain membership in good standing in respondent Union.

VIII.

By the acts set forth in paragraph VI above, the respondent Union did cause the employer to dis-

criminate against an employee in violation of Section 8(a)(3) and did thereby engage in, and is thereby engaging in, unfair labor practices within the meaning of Section 8(b)(2) of the Act.

IX.

By the acts set forth in paragraph VII above, the respondent Union did interfere with, restrain and coerce, and is interfering with, restraining and coercing employees in the exercise of the rights guaranteed them in Section 7 of the Act, and did thereby engage in, and is thereby engaging in, unfair labor practices within the meaning of Section 8 (b)(1)(A) of the Act.

X.

The acts of the respondent Company and respondent Union set forth in paragraphs IV and VII above, occurring in connection with the operations of the employer as set forth in paragraphs I and II above, have a close, intimate, and substantial relation to trade, traffic, and commerce among the several states, and tend to lead to labor disputes, burdening and obstructing commerce and the free flow of commerce.

XI.

The acts of respondent Company set forth in paragraph IV above constitute unfair labor practices affecting commerce within the meaning of Section 8(a)(1) and 8 (a)(3), and Section 2(6) and 2(7) of the Act.

The acts of respondent Union as set forth in para-

graph VII above, constitute unfair labor practices affecting commerce within the meaning of Section 8(b)(1)(A) and 8(b)(2), and Section 2(6) and 2(7) of the Act.

Wherefore, the General Counsel of the National Labor Relations Board, on behalf of the Board, by the Regional Director for the Twentieth Region, on this 30th day of November, 1948, issues his Complaint against Clara-Val Packing Company and Cannery Warehousemen, Food Processors, Drivers and Helpers, Local Union No. 679, AFL, respondents herein.

[Seal] /s/ GERALD A. BROWN,
Regional Director, National
Labor Relations Board.

GENERAL COUNSEL'S EXHIBIT 1-F
United States of America Before the National
Labor Relations Board Twentieth Region

Case No. 20-CA-117

In the Matter of
CLARA-VAL PACKING COMPANY
and
NORA E. STIERS, an Individual.

Case No. 20-CB-29

In the Matter of
CANNERY WAREHOUSEMEN, FOOD PROC-
ESSORS, DRIVERS AND HELPERS,

LOCAL UNION NO, 679, AFL

and

NORA E. STIERS, an Individual.

ORDER CONSOLIDATING CASES AND
NOTICE OF CONSOLIDATED HEARING

Charges, pursuant to Section 10(a) of the Labor Management Relations Act, 1947 (Public Law 101, 80th Congress, Chapter 120, 1st Session), having been filed by Nora E. Stiers, an individual, Cases Nos. 20-CA-117 and 20-CB-29, copies of which charges are hereto attached, and the undersigned having duly considered the matter and deeming it necessary in order to effectuate the purposes of the Act, and to avoid unnecessary costs or delay.

It Is Hereby Ordered, pursuant to Section 203.33 (b) of the National Labor Relations Board Rules and Regulations—Series 5, as amended, that these cases be, and they hereby are, consolidated.

You Are Hereby Notified that, pursuant to Section 10(b) of the Act, on the 22nd day of March, 1949, at 10 o'clock in the forenoon, in Room A, Civic Auditorium, Market and San Carlos Streets, San Jose, California, a hearing will be conducted before a Trial Examiner of the National Labor Relations Board upon the allegations set forth in the Complaint attached hereto, at which time and place the parties will have the right to appear in person or otherwise and give testimony.

In Witness Whereof, the General Counsel of the National Labor Relations Board, on behalf of the Board, has caused this Order Consolidating Cases

and Notice of Consolidated Hearing to be signed by the Regional Director for the Twentieth Region on this 30th day of November, 1948.

[Seal] /s/ GERALD A. BROWN,

Regional Director, National Labor Relations Board,
821 Market Street, San Francisco 3, California.

* * *

(Pursuant to the instructions of the Trial Examiner, the proceedings of Tuesday, March 22, 1949, at San Jose, California, are incorporated into this record as follows.)

Mr. Kennedy: The Trial Examiner in this matter of Clara-Val Packing Company, 20-CA-117, and Cannery Warehousemen, Food Processors, Drivers and Helpers, Local Union No. 679, AFL, 20-CB-29, has been unavoidably detained and we have just received information that he will not be available at this hearing during this entire day. Inasmuch as there seems to be a substantial agreement as to the facts in this matter but a difference of opinion as to the application of the law, and all the parties are agreeable, it is proposed that a record be made at this time for the purpose of submitting to the Trial Examiner and shall be considered by him as though it were taken during the course of a formal hearing opened by the Trial Examiner.

I would like to have the other parties up to this point indicate whether they are in accord with that

general proposition, reserving, of course, the right, if we do reach a substantial difference in the facts, to preserve that right not to go along with this method at that time.

Mr. Padway: As representing Local 679—

Mr. Kennedy: By the way, it also would seem to be appropriate if we indicate on the record who are representing the respective parties here.

Mr. Padway: My name is Padway, my initials are I. B., and my address is Room 420, de Young Building, San Francisco, California. At this hearing I represent Cannery Warehousemen, Food Processors, Drivers and Helpers, Local Union No. 679, AFL.

Mr. Kennedy: I think we might state here that the Clara-Val Packing Company is represented by Mr. Vincent Giordano, President of the Company, and appearing for the General Counsel is Eugene K. Kennedy.

Mr. Padway: On behalf of the Union and in view of several preliminary conferences had with the Board, I believe that the facts in this case are more or less undisputed, and that the question involved resolves itself into an interpretation of the Labor-Management Relations Act. With this in mind I believe that it would be logical for the Board to present its facts and then we in turn will present our facts, and that all of the facts may be presented to the Trial Examiner for his consideration, taking into consideration that the usual procedural matters

such as commerce and so forth will first be presented, and that a decision may be made by the Board on the facts as so agreed upon by all of the parties.

Mr. Kennedy: Is this procedure agreeable?

Mr. Padway: The procedure that is now contemplated is agreeable to my clients, Cannery Workers Union, Local 679.

Mr. Kennedy: Is that agreeable with you, Mr. Giordano, that procedure?

Mr. Giordano: Yes. As far as I am concerned, I believe it would be in order to proceed in that manner.

Mr. Padway: I might add, too, that we waive any right to question the procedure before the Board.

Mr. Kennedy: Is that also your position, Mr. Giordano?

Mr. Giordano: That's right.

Mr. Kennedy: I think we might specify here that it is tentatively planned by Mr. Padway and myself to present this matter to the Trial Examiner in San Francisco tomorrow, who we understand will be available at that time. It is also my understanding that on that occasion, if it is agreeable with Mr. Giordano, that the Clara-Val Packing Company be represented by Mr. Padway.

Mr. Giordano: That is true.

Mr. Padway: That is, any question that will not in any manner conflict with our stand.

Mr. Giordano: I see, yes.

Mr. Padway: And you will be able to derive that from the stipulations that we make.

Mr. Giordano: This afternoon, you mean?

Mr. Padway: Yes. In other words, you will be able to tell whether or not it will be all right for me to represent you people in the matter before the Trial Examiner, and only for this hearing.

Mr. Giordano: I see, yes.

Mr. Kennedy: It seems very probable it will be only in a very formal respect you will be represented. It will be, in essence, putting in an appearance for you without anything additional.

Mr. Padway: I also want to add this. That I naturally will not represent you as far as any facts or figures are concerned, in relation to commerce.

Mr. Giordano: That I will present myself this afternoon, and then those facts can go on the record and you can proceed from the presentation given this afternoon.

Mr. Kennedy: That will be very agreeable, Mr. Giordano.

Mr. Padway: I have already waived, Mr. Kennedy the formal procedure such as the statement made by the Trial Examiner prior to the hearing. I think you should get Mr. Giordano to waive that also.

I might state, there are customary statements that are made, the Trial Examiner will tell you prior

to a hearing of certain things that you have a right to do, and which you have a right not to do in relation to prosecuting your defense on this matter. There are certain rules of procedure which he reads. Now, I know what they are and I can tell you right now there would be nothing in those rules that would be detrimental to you.

As far as my union is concerned I waive them for the union, the reading of those procedural rules.

Mr. Giordano: From what little I know of law I would say I wouldn't hesitate in waiving those same conditions as you do.

Mr. Kennedy: And as a matter of form I will also waive them for the General Counsel. I think that possibly we can dispose of the preliminary formal aspects.

I will submit, or offer subject to the approval of the Trial Examiner, the formal documents in this matter, and if that is agreeable I will ask the parties to stipulate that they would have no objection to the receipt of them by the Trial Examiner.

I wish to have marked for identification this file of formal documents to be designated as General Counsel's Exhibit 1, containing the original Charge in Case 20-CA-117 filed August 31, 1948, marked for identification General Counsel Exhibit 1(a); for identification as General Counsel's Exhibit 1(b), the original Charge in the Case 20-CB-29, filed August 3, 1948, for identification as 1(c), the Affidavit of Service of the copy of the original Charge in 20-CA-117 with returned receipt card attached; for

identification as General Counsel's 1(d), the Affidavit of Service of the copy of the original Charge in Case 20-CB-29, with return receipt card attached, as General Counsel's Exhibit 1(e) for identification, the original Complaint issued on November 30, 1948; for identification as General Counsel's Exhibit 1(f), the original Order Consolidating Cases and Notice of Consolidated Hearing issued on November 30, 1948; and for identification as General Counsel's 1(g), the Affidavit of Service of the Complaint, Charges, Order of Consolidating Cases, and Notice of Consolidated Hearing with return receipt cards attached. These were mailed on November 30, 1948.

(Thereupon the documents above referred to were marked General Counsel's Exhibit 1(a) through 1(g) inclusive for identification.)

Mr. Kennedy: Now, I will at this time for the record, offer these in evidence as General Counsel's Exhibit with the subdivisions as have been indicated, and I will ask the parties whether they will stipulate that they have no objections to the receipt of this in evidence by the Trial Examiner.

Mr. Padway: We have no objection.

Mr. Giordano: I have no objection.

Mr. Kennedy: Now, as a matter of form in these matters if a labor organization is participating there has to be established affirmatively that it is in fact a labor organization within the meaning of Section 2(5) of the Act. We can cover that by stipulation.

Mr. Padway: I might state that we are an or-

ganization within the provisions of the Act, and are registered as an organization with the Board at the present time.

Mr. Kennedy: The General Counsel will stipulate that the Cannery Warehousemen, Food Processors, Drivers and Helpers, Local Union No. 679 is a labor organization within the meaning of Section 2(5) of the Act.

Will you join in that stipulation, Mr. Giordano?

Mr. Giordano: Surely.

Mr. Kennedy: Of course, you will too, Mr. Padway?

Mr. Padway: Yes.

Mr. Kennedy: With respect to the business of the Clara-Val Company would you state for the record, or perhaps I might, Mr. Giordano, that it is a California corporation with its main place of business in Morgan Hill.

Mr. Giordano: Santa Clara County, Santa Clara Valley.

Mr. Kennedy: And is engaged in the business of processing fruit and shipping it in a processed form.

Mr. Giordano: That is correct.

Mr. Kennedy: Is it also true that during the last half of 1948 the approximate purchases of fruit by the Clara-Val Company were in excess of \$300,000, all of which was purchased within the

State of California, and during the same period the sales of the Company were approximately \$400,000, and the sales represented these dried fruit products, and that of these sales approximately 90 per cent by value were shipped outside the State of California.

Mr. Giordano: That is correct, to the best of my knowledge.

Mr. Kennedy: That is approximately correct?

Mr. Giordano: That's right.

Mr. Kennedy: I will propose that in the form of a stipulation for the record, those facts that have just been outlined.

Will you join in that, Mr. Padway?

Mr. Padway: I have no objections.

Mr. Kennedy: And you stipulate that that is true also, Mr. Giordano?

Mr. Giordano: That's right.

Mr. Kennedy: I will outline generally what the General Counsel's case would consist of from a factual basis, subject to your comments, additions or subtractions.

Mr. Padway: I think before you do that, I think Mr. Giordano, in order that we have a complete record and no question as to the record that he does agree that they are engaged in commerce.

Mr. Kennedy: Yes. Could you concede that your business is within the jurisdiction of the Na-

tional Labor Relations Board as affecting commerce?

Mr. Giordano: You mean by volume and dollars?

Mr. Kennedy: Well, there is a large body of law on what enterprises or activities are subject to federal jurisdiction.

Mr. Giordano: Yes, I would agree we would be under federal jurisdiction because of the nature of our business. In other words, 90 per cent of it or more goes out of the State, so under that we would be classified as in interstate commerce.

Mr. Kennedy: I think the record is clear on that, Mr. Padway. Now, do you have any suggestions other than the one I just indicated as to my attempting to outline, subject to your further revision, what I consider to be the facts in this case?

Mr. Padway: Right. That is, the facts that the General Counsel's representative believes to be the facts.

Then, of course, the Union will state its facts, and if you have any objections you are at liberty to do the same with my statement of facts.

Mr. Kennedy: And ultimately the purpose, of course, is to make an agreed statement of facts for the record so there will be no conflict in the testimony.

Mr. Padway: That's right.

Mr. Kennedy: The situation in which the Complaint is alleged grew out of an incident which occurred in June, 1948, approximately around June 24th, when the charging party, Nora Stiers, who was an employee of the Clara-Val Packing Company, was discharged by this Company through its officers, including Mr. Giordano, who was responsible for the people that actually discharged Nora Stiers. Discharge was effected at the insistence of the Business Representative of Local 679, Mr. I. G. Ficarrota.

Local 679 had employees working at Clara-Val who were members of the Union, and the representation to Mr. Giordano of Clara-Val was that because Nora Stiers had violated the union rules by going through the picket line at another establishment where Local 679 was conducting a strike that she was no longer in good standing with the Union, and that if Mr. Giordano did not discharge her then a picket line would be placed around the Clara-Val plant and it would be attempted to shut down its operations.

As a result of this representation by Mr. Ficarrota to Mr. Giordano, Nora Stiers was discharged around June 24, 1948, and has not been re-employed at Clara-Val since that date, although subsequent to her discharge there was further work that she could reasonably have expected to have engaged in.

Now, that is a very preliminary statement, Mr. Padway and Mr. Giordano, and I am wondering if at this particular point you would care to amplify or fill in any of the gaps.

Mr. Padway: I was going to add one thing which is very important to you which you may have by oversight omitted, and that was that her dues were paid up at the time she was removed from her employment.

Mr. Kennedy: Yes, although it is my opinion that the fact of her paying dues which I will also include now—there had not been a union shop election at this plant—it was my opinion that these two elements are more properly a matter of defense as a procedural matter and have to be argued affirmatively. But inasmuch as we are making a record I think in this informal manner we may as well bring out all the aspects to be clear about the situation.

Mr. Padway: I thought it was of benefit to you, based upon a stand that there was discrimination against Nora Stiers. That is the contention I presume of the General Counsel, that there was discrimination as against her in that she was removed from her employment in spite of the fact that she had paid her dues to the Union and that the Act says she cannot be removed except for non-payment of dues.

Mr. Kennedy: That is very true, Mr. Padway, and I think for purposes of clarity your suggestion is entirely proper in that respect.

Mr. Padway: I wanted a full record, you see, and I don't want to take any advantage in this matter.

Mr. Kennedy: I wonder, what has been said so far, does that accord with the facts as both you and Mr. Giordano understand them?

Mr. Padway: In a sense, yet I must enhance a little at some future point. Do you want me to do it now?

Mr. Kennedy: As I understand it we are not making a stipulation yet, we are still in the process of forming what the complete understanding is.

Mr. Padway: As I am giving to understand by my clients who are here today and would testify to these facts, Nora Stiers was employed at the Clara-Val Cannery which was covered by a collective bargaining agreement and which you have a copy of, and I have no objection that it be introduced into evidence, or I will furnish you with another copy and give it to you tomorrow morning. I will furnish you with two or three copies so you will have them on hand for tomorrow morning.

And that by the terms of this agreement I will now introduce for the purpose of completing the record, a collective bargaining agreement between the California Processors and Growers, Inc. and California State Council of Cannery Unions, American Federation of Labor which is a printed agreement of collective bargaining agreement existing between the Company and the Union—this will be introduced as Union's Exhibit 1 for identification.

Mr. Kennedy: Subject to the approval of the Trial Examiner.

(Thereupon the document above referred to was marked Union's Exhibit No. 1 for identification.)

Mr. Padway: And that Section 4 recites the employment conditions.

Mr. Kennedy: Would you mind reading those into the record? It might be more convenient.

Mr. Padway: Section 4 is entitled "Employment Conditions."

Now reading from Exhibit 1, Union's Exhibit 1 for identification, subsection (a):

"All employees performing work listed in Appendix A hereof shall be and shall remain members of the Local in good standing as a condition of continued employment.

"(b) Procedural rules for accomplishing the contractual requirements set forth in this section appear as Appendix B of this agreement."

And then (c) refers to the deduction from wages as a check-off of dues.

At the time that Nora Stiers, the moving party in this matter before the Board, was employed at the Clara-Val Cannery she was a member of Local 679, and she had paid her dues to the Union. That on or about the middle of June, 1948, the representative of Local 679 was advised by various members of the Union at the Clara-Val Cannery that Nora Stiers, after her employment would cease at

the cannery, would then go to another food processing plant known as the Driscoll Strawberries, Inc., against whom Local 679 was then engaged in an economic labor controversy, and in fostering that labor controversy a picket line was established and placed around the premises of the Driscoll Strawberries, Inc. The representative of the Union was further advised that Nora Stiers had proceeded through that picket line contrary to the provisions contained in the Constitution of Local 679, and that she would then perform work at the Driscoll Strawberries, Inc., approximating anywhere from 4 to 8 hours per night.

That immediately upon being advised of this condition the representative of the Union caused certain charges to be preferred as against Nora Stiers, and that she was tried by the Executive Board of the Union and fined the sum of \$200, which fine was suspended providing Nora Stiers agreed to pay the sum of \$25 in cash and would agree not to violate the Union's Constitution in the future. Nora Stiers failed to pay the \$25 and likewise failed to pay the \$200 fine.

That Nora Stiers was removed from her employment by the representative of the Union. In referring to the representative of the Union I will state that the representative of the Union was I. G. Ficarrota who has already been mentioned by the General Counsel's representative at this hearing.

That the reason for her removal was the violation that has already been set forth in this record, and for the further reason that employees working at

the Clara-Val plant refused to continue working as long as Nora Stiers was employed.

That it was at the insistence of the Union representative that Nora Stiers was removed from her employment. That she remained out of work for a short period of time when she obtained employment at some other plant, as I am given to understand, covered by an AFL Union.

That her seniority would have afforded her possibly two or three weeks work at the most before the season would have ended. The cannery operation at Clara-Val is of a strictly seasonal nature, having certain periods of the year when certain fruits are available to be processed that it will operate with a full force. That aside from that, I believe the number of employees to be of a minute or small number.

Mr. Giordano: With one correction, Mr. Padway. Dried fruit operations are less seasonal than the cannery operation. They are more consistent than the canned division of the Company. However, at the time when this incident occurred the dried fruit operations were at their lowest ebb also. In other words, the dried fruit operation begins after the harvest of fruit from the growers, and that is reflected in the sales of the Company. In other words, the sales in June were approximately \$8,700, and then at the end of July they stepped up to \$100,000. In other words, sales parallel the delivery of fruits by the growers to us.

Mr. Kennedy: On the record.

Mr. Padway: I understand that Nora Stiers went back to work on the 8th of August at Continental Can Company.

In sum and substance the Union is willing to stipulate that the employer was requested to remove Nora Stiers from her employment, and that her removal was because of the prescribed rules with respect to the acquisition and retention of membership in the Union and was based upon her violation of these rules.

Mr. Kennedy: Off the record.

(Discussion off the record.)

Mr. Kennedy: On the record.

In an off-the-record discussion Mr. Padway indicated that he is not disputing the statement made by me previously that a representation was made to the Company that the Union employees would leave their jobs and that the plant would be picketed if Nora Stiers was not discharged, and also agrees to the proposition that the Union demanded her discharge.

Now, it is the General Counsel's position that Section 15 of the contract which was in effect between Local 679 and Clara-Val does not come within the provisions of Section 102 of the National Labor Relations Act as amended. There is a difference of opinion, as I understand it, as to the interpretation of this section of the contract which was in effect between Local 679 and Clara-Val. The

position taken by Mr. Padway on behalf of the Union is that this contract was of indefinite duration and has never been opened pursuant to the methods prescribed for re-opening the contract.

Mr. Padway: It is our contention that the contract remained in force and effect after March 1, 1948, for the simple reason that no notice was given to reopen the contract by either party, either the employer or the union, and that the contract remained in full force and effect as provided for in the printed agreement of Union Exhibit 1 for identification.

Mr. Kennedy: I might indicate the agreement was originally executed March 1, 1947, as provided in Section 15.

Mr. Padway: It was later, but it was retroactive to that date. It was executed somewhere around June 15.

Mr. Giordano: Our contract was after the General Cannery contract. Ours was, I think in April or June, I have forgotten the exact date.

Mr. Kennedy: It is the position of the General Counsel that the effect of Section 15 of the agreement provides for a renewal each year, and consequently the closed shop provisions in the contract would not be applicable after March of 1948.

Mr. Padway: Of course, that is the difference of our opinion. We contend that it was still in force.

Mr. Kennedy: Now, with respect to the particular instance involved here is it your contention that she was discharged pursuant to the terms of this contract for violating, or is the provision in the alternate, Mr. Padway?

Mr. Padway: What do you mean, in the alternate?

Mr. Kennedy: I believe it is substantially subject to confirmation by Mr. Giordano we have agreed as to the facts in existence as of the time of her discharge, that there was a certain violation of union regulations by Nora Stiers, the charging party, and that because of those violations the union insisted on Clara-Val discharging her.

Mr. Padway: That is right.

Mr. Kennedy: Now, is it your position that the discharge was effected because of the contract right that the union had to insist on performance by the employer of this agreement which is Union's Exhibit No. 1 for identification?

Mr. Padway: Plus the violation of the union rules.

Mr. Kennedy: Off the record.

(Discussion off the record.)

Mr. Kennedy: On the record.

It is my understanding and I will so stipulate that in accordance with the terms of Section 15 of this contract which is Union Exhibit 1 for identi-

fication, that termination would not be effected by either subdivisions A(1) or A(2) of Section 15, and that modification had not been effected in accordance with subsection C of Section 16, and also that it is Mr. Giordano's position that at the time of the discharge of Nora Stiers it was his position that the closed shop provision of the contract which has been outlined, I believe, by Mr. Padway previously, was still in effect.

Mr. Padway: I also want to bring home that this contract, Union's Exhibit 1, is a contract existing between the California Processors and Growers which consists of a group of cannery operators here in the State of California, and that Mr. Giordano, the Clara-Val Company, is not a part of the CP&G, or California Processors and Growers, but is an independent operator, and his contract, although carrying all the terms of this agreement, is directly between the Union and his cannery as an independent operator.

Mr. Kennedy: And an agreement was entered into, as I understand it, between the Union and Clara-Val that they would adopt this Union Exhibit No. 1 for identification as their contract.

Mr. Padway: That is correct.

Mr. Kennedy: So in effect, although it doesn't bear the name of Clara-Val, it is the contract that was in existence.

Mr. Padway: We have a separate agreement.

Mr. Kennedy: Yes.

You may or may not recall what I outlined previously about this contract, that it was either terminated or modified, and that it was your position that the provisions for membership as a condition of working were still in effect. Is that correct?

Mr. Giordano: That is correct. In other words, that is what I understood.

Mr. Kennedy: I may interrupt the train of thought here for just a moment to make a motion to correct two minor clerical errors in the Complaint. In the introduction there is an omission of the phrase "As amended" after "The National Labor Relations."

Mr. Padway: No objection.

Mr. Giordano: No objection.

Mr. Kennedy: And Paragraph VI of the Complaint, there is upon the last line the phrase "Section 8(a)(1)(A)." I make a motion to amend that by striking the last "A" from that section.

Is there objection to that?

Mr. Padway: No objection.

Mr. Giordano: No.

Mr. Kennedy: Like our previous agreement those motions will be reserved for the final approval by the Trial Examiner.

Mr. Padway: I understand all matters even as to the receipt of exhibits and so forth, will be left to the final approval of the Trial Examiner.

Mr. Kennedy: I might make a recapitulation which will probably include some small elements of argument in it. You might do that, too.

Mr. Padway: Why not reserve that until tomorrow?

Mr. Kennedy: The only reason I was doing it was, it would be very brief, for Mr. Giordano's benefit, since he is present here.

Mr. Padway: All right, go ahead.

Mr. Kennedy: I believe that so far the agreement has been indicated on the fact that Nora Stiers who is the charging party was an employee at Clara-Val Company and that the Clara-Val Company discharged her on the insistence of the Union, although at the time she had her dues paid up in the Union and there had not been a union shop election as provided for by the amended Act at the Clara-Val plant, and that at the time of her discharge there was in effect a contract between Local 679 and Clara-Val which contains the particular provisions which have been referred to and which are all contained in Union's Exhibit 1 for identification.

It is the position of the General Counsel that although Section 8(b)(1)(A) and specifically the proviso of 8(b)(1)(A) does not impair the right of a labor organization to prescribe its rules with respect to the acquisition or retention of membership, that there still is provided in the Act only one exception in which a Union can insist on the discharge of a person or employee, and that is when

the employee is discharged for nonpayment of dues after a union shop election as provided for in the Act.

And it is further contended that even though an employee can be disciplined by a union or discharged from a union that that is not inconsistent with continued employment at a plant as long as the employee still tenders the dues as provided in Section 8(a)(3).

With respect to the tenure of this particular agreement, it is believed that the substance of Section 15 of the agreement in effect between Local 679 and Clara-Val provided that there will be a renewal each year on the anniversary date as specified in subsection (b) of Section 15.

I believe that is largely a recapitulation of the facts that were presented before.

I would like, for the sake of the record, to get an indication of whether or not there is agreement on that, without necessarily implying that that is the whole story.

Mr. Padway: Well, I would like to state this for the record: I listened with a great deal of interest to counsel's recapitulation. Parts of it state accurately the record as it now stands. However, enhanced with these facts are counsel's opinion as to why—

Mr. Kennedy: Of course, I meant to strain the opinion, and I am not asking any acquiescence in that.

Mr. Padway: Counsel gives reasons why these

facts tend to indicate that there had been discrimination as against the moving party, Nora Stiers. In that, of course, we wholly disagree. It is our contention that the contract is a valid contract and is still in existence; that it had not been reopened; that there is nothing presently in the Act which would prohibit the contract from terminating, particularly in view of the expressed proviso in the contract which calls for notice being given by either both parties or either party, and that in view of the fact that the absolute facts are that no notice was given and that the contract remained in force and effect, it is our contention that Section 8(3), subsection (b) (1)(A) provides for the rights of labor organizations to prescribe their own rules for the acquisition and retention of membership, and that we contend that under that section of the statute we are entitled to proceed as we did proceed in the case of Nora Stiers, and that a distinct conflict exists at the present time in the Act between Section 8(3), subsection (A) and subsection 8(3) (5), subsection (b)(1)(A).

Mr. Kennedy: Do you wish to make any comments, Mr. Giordano?

Mr. Giordano: Well, I think that all the facts have been brought out rather clearly by both yourself and Mr. Padway, and I don't think I could add very much to it.

Mr. Kennedy: With respect to the facts surrounding the discharge.

Mr. Giordano: I would say this: That as they were presented, that is just about what happened. In other words, my employees, my plant Superintendent and Forelady brought the facts to me in my office and they asked me to give them advice as to what to do in this particular case. I didn't give them any decision for a little while there until I had an opportunity to discuss the subject matter with Mr. Ficarrota, and after he explained to me what had happened and why they were requesting she be pulled off the job, and that also if we did not take her off the employment of the firm that they had no alternative but to use other means in getting us to remove her from employment, they went so far as to state that the other employees belonging to the Union would be pulled off the job until this thing was settled satisfactorily.

Mr. Kennedy: I believe that the record is clear as to the facts surrounding the discharge.

Mr. Giordano: I have nothing else to add to that.

All I can offer is factual matter such as sales and seniority position of the particular employee involved, and anything like that you may want or the Court may want from me. I will be more than happy to give you that, but I have no other facts to present.

Mr. Kennedy: I believe that we have covered it, Mr. Giordano, and it seems to me that as we have anticipated when we first started this, there is no disagreement on facts. We do have some differ-

ences of opinion as to the construction of sections of the Act, and the contract.

Mr. Giordano: I just want to go on the record and state this: I did not think at the time I was discriminating against any employee. That was based on the contention that we had an agreement with the Union and we were trying to live up to the terms and conditions of that agreement, and that agreement was in force at the time. In removing her off the job we were merely doing our part in abiding by the contractual terms of that agreement.

Mr. Kennedy: With respect to the factual matter I will indicate on the record my apology for mixing up arguments with my recapitulation of facts, but as to the facts of the discharge which we indicated assent to I think it would be in order if we stated as facts that we recognize them as have been stated, and they are stipulated for the record.

Mr. Padway: I stipulate.

Mr. Giordano: I stipulate.

* * *

Mr. Kennedy: We will join in the stipulation. That is all.

Received April 5, 1949.

[Endorsed]: No. 12630. United States Court of Appeals for the Ninth Circuit. National Labor Relations Board, Petitioner, vs. Clara-Val Packing Company and Cannery Warehousemen, Food Processors, Drivers and Helpers, Local Union No. 679, AFL., Respondents. Transcript of Record. Petition for Enforcement of an Order of the National Labor Relations Board.

Filed July 31, 1950.

/s/ PAUL P. O'BRIEN,

Clerk of the United States Court of Appeals for the Ninth Circuit.

In the United States Court of Appeals
for the Ninth Circuit

12630

NATIONAL LABOR RELATIONS BOARD,
Petitioner,

vs.

CLARA-VAL PACKING COMPANY and CANNERY WAREHOUSEMEN, FOOD PROCESSORS, DRIVERS AND HELPERS, LOCAL UNION No. 679, AFL.,
Respondents.

PETITION FOR ENFORCEMENT OF AN
ORDER OF THE NATIONAL LABOR RELATIONS BOARD

To the Honorable, the Judges of the United States
Court of Appeals for the Ninth Circuit:

The National Labor Relations Board, pursuant to

the National Labor Relations Act, as amended (61 Stat. 136, 29 U.S.C., Supp. II, Secs. 151, et seq.), hereinafter called the Act, respectfully petitions this Court for the enforcement of its order against Clara-Val Packing Company, Morgan Hill, California, hereinafter called Respondent Company, its officers, agents, successors, and assigns, and Cannery Warehousemen, Food Processors, Drivers and Helpers, Local Union No. 679, AFL, hereinafter called the Respondent Union, its officers, representatives, and agents. The consolidated proceeding resulting in said order is known upon the records of the Board as "In the Matter of Clara-Val Packing Company and Nora E. Stiers, an individual; Cannery Warehousemen, Food Processors, Drivers and Helpers, Local Union No. 679, AFL and Nora E. Stiers, an individual," Cases Nos. 20-CA-117 and 20-CB-29, respectively.

In support of this petition the Board respectfully shows:

(1) The Respondent Company is a California corporation, engaged in business in the State of California and the Respondent Union is a labor organization transacting business in the State of California, within this judicial circuit where the unfair labor practices occurred. This Court therefore has jurisdiction of this petition by virtue of Section 10 (e) of the National Labor Relations Act, as amended.

(2) Upon all proceedings had in said matter before the Board, as more fully shown by the entire record thereof certified by the Board and filed with

this Court herein, to which reference is hereby made, the Board on December 16, 1949, duly stated its findings of fact and conclusions of law, and issued an order directed to the Respondent Company, its officers, agents, successors, and assigns, and to the Respondent Union, its officers, representatives, and agents. On December 27, 1949, the Board issued an order correcting its Decision and Order. The aforesaid order provides as follows:

Order

Upon the entire record in the case and pursuant to Section 10 (c) of the National Labor Relations Act, as amended, the National Labor Relations Board hereby order that:

1. The Respondent, Clara-Val Packing Company, Morgan Hill, California, its officers, agents, successors, and assigns, shall:

(a) Cease and desist from:

(1) Encouraging membership in Cannery Warehousemen, Food Processors, Drivers and Helpers, Local Union No. 679, AFL, or in any other labor organization of its employees, by discharging any of its employees or discriminating in any other manner in regard to their hire or tenure of employment or any term or condition of their employment;

(2) In any other manner interfering with, restraining, or coercing its employees in the right to refrain from exercising the rights guaranteed in Section 7 of the Act, except to the extent that such rights may be affected by an agreement requiring membership in a labor organization as a condition of employment as authorized by Section 8 (a) (3) of the Act.

(b) Take the following affirmative action, which the Board finds will effectuate the policies of the Act:

(1) Offer to Nora E. Stiers immediate and full reinstatement to her former or a substantially equivalent position without prejudice to her seniority or other rights and privileges;

(2) Post at its plant at Morgan Hill, California, copies of the notice attached hereto as Appendix A.⁸ Copies of said notice to be furnished by the Regional Director for the Twentieth Region shall, after being duly signed by the Respondent Company's representative, be posted by it immediately upon receipt thereof, and be maintained by it for a period of at least sixty (60) consecutive days thereafter, in conspicuous places, including all places where notices to employees are customarily posted. Reasonable steps shall be taken by the Respondent Company to insure that such notices are not altered, defaced, or covered by any other material;

(3) Notify the Regional Director for the Twentieth Region in writing within ten (10) days from the date of this Decision and Order, what steps the Respondent Company has taken to comply herewith.

2. The Respondent, Cannery Warehousemen, Food Processors, Drivers and Helpers, Local Union No.

⁸In the event this order is enforced by decree of a United States Court of Appeals, there shall be inserted before the words: "A Decision and Order" the words: "A Decree of the United States Court of Appeals Enforcing."

679, AFL, its officers, representatives and agents, shall:

(a) Cease and desist from:

(1) Causing, by threatening strike action Clara-Val Packing Company, its officers, agents, successors, or assigns, to discharge or otherwise discriminate against employees because they are not members in good standing in Cannery Warehousemen, Food Processors, Drivers and Helpers, Local Union No. 679, AFL, except in accordance with Section 8 (a) (3) of the Act;

(2) In any other manner causing or attempting to cause Clara-Val Packing Company, its officers, agents, successors or assigns, to discriminate against its employees in violation of Section 8 (a) (3) of the Act:

(3) Restraining or coercing employees of Clara-Val Packing Company, its successors, or assigns, in the exercise of their right to refrain from any or all of the concerted activities guaranteed by Section 7.

(b) Take the following affirmative action, which the Board finds will effectuate the policies of the Act:

(1) Post at its offices, if any, at Morgan Hill, California, and wherever notices to its members are customarily posted, copies of the notice attached hereto as Appendix B.⁹ Copies of said notice, to be furnished by the Regional Director for the Twen-

⁹In the event this order is enforced by decree of a United States Court of Appeals, there shall be

tieth Region shall, after being duly signed by the Respondent Union's representative, be posted by it immediately upon receipt thereof, and be maintained by it for a period of at least sixty (60) consecutive days thereafter, in conspicuous places, including all places where notices to members are customarily posted. Reasonable steps shall be taken by the Respondent Union to insure that such notices are not altered, defaced, or covered by any other material;

(2) Notify the Regional Director for the Twentieth Region in writing, within ten (10) days from the date of this Decision and Order, what steps it has taken to comply herewith.

3. Clara-Val Packing Company, its officers, agents, successors, and assigns, and Cannery Warehousemen, Food Processors, Drivers and Helpers, Local Union No. 679, AFL, its officers, representatives, and agents, shall jointly and severally make whole Nora E. Stiers for any loss of pay she may have suffered because of the discrimination against her, by payment to her of a sum of money equal to the amount she normally would have earned as wages from June 24, 1948, the date she was discriminatorily discharged, to the date of the Respondent Company's offer of reinstatement, less her net earnings during said period.

(3) The Board's Decision and Order, also order correcting Decision and Order were served upon

inserted before the words: "A Decision and Order" the words: "A Decree of the United States Court of Appeals Enforcing."

Respondents on December 16 and 27, 1949, respectively, by sending copies thereof postpaid, bearing Government frank, by registered mail to Respondent's counsel.

(4) Pursuant to Section 10 (e) of the National Labor Relations Act, as amended, the Board is certifying and filing with this Court a transcript of the entire record of the consolidated proceeding before the Board, including the pleadings, testimony and evidence, findings of fact, conclusions of law, and order of the Board.

Wherefore, the Board prays this Honorable Court that it cause notice of the filing of this petition and transcript to be served upon Respondents and that this Court take jurisdiction of the proceeding and of the questions determined therein and make and enter upon the pleadings, testimony and evidence, and the proceedings set forth in the transcript and upon the order made thereupon as set forth in paragraph (2) hereof, a decree enforcing in whole said order of the Board, and requiring the Respondent Company, its officers, agents, successors, and assigns, and the Respondent Union, its officers, representatives, and agents, to comply therewith.

NATIONAL LABOR

RELATIONS BOARD,

By /s/ A. NORMAN SOMERS,

Assistant General Counsel.

Dated at Washington, D. C. this 26th day of July, 1950.

[Endorsed]: Filed July 31, 1950.

ORDER

Case No. 12630

United States of America—ss.

The President of the United States of America

To Mr. Vincent C. Giordano, Clara-Val Packing Company, Morgan Hill, California, Cannery Warehousemen, Food Processors, Drivers & Helpers, Local Union No. 679, AFL., 288 W. Santa Clara St., San Jose, Calif.,

Greeting:

Pursuant to the provisions of Subdivision (e) of Section 160, U.S.C.A. Title 29 (National Labor Relations Board Act, Section 10(e)), you and each of you are hereby notified that on the 31st day of July, 1950, a petition of the National Labor Relations Board for enforcement of its order entered on December 16, 1940, in a proceeding known upon the records of the said Board as

“In the Matter of Clara-Val Packing Co., and Nora E. Stiers, an individual, Case No. 20-CA-117, and Cannery Warehousemen, Ford Processors, Drivers and Helpers, Local Union No. 679, AFL., and Nora E. Stiers, an individual, Case No. 20-CB-29,”

and for entry of a decree by the United States Court of Appeals for the Ninth Circuit, was filed in the said United States Court of Appeals for the

Ninth Circuit, copy of which said petition is attached hereto.

You are also notified to appear and move upon, answer or plead to said petition within ten days from date of the service hereof, or in default of such action the said Court of Appeals for the Ninth Circuit will enter such decree as it deems just and proper in the premises.

Witness, the Honorable Fred M. Vinson, Chief Justice of the United States, this 31st day of July, in the year of Our Lord one thousand nine hundred and fifty.

[Seal]: /s/ PAUL P. O'BRIEN,

Clerk of the United States Court of Appeals for
the Ninth Circuit.

Returns on service of Writ attached.

Received August 7, 1950.

[Endorsed]: Filed August 17, 1950.

No. 12630

United States
Court of Appeals
for the Ninth Circuit.

NATIONAL LABOR RELATIONS BOARD,
Petitioner,

vs.

CLARA-VAL PACKING COMPANY and CAN-
NERY WAREHOUSEMEN, FOOD PROC-
ESSORS, DRIVERS AND HELPERS,
LOCAL UNION No. 679, AFL.,
Respondents.

SUPPLEMENTAL
Transcript of Record

Petition for Enforcement of Order of the
National Labor Relations Board.

FILED

OCT 30 1950

No. 12630

United States
Court of Appeals
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NATIONAL LABOR RELATIONS BOARD,
Petitioner,

vs.

CLARA-VAL PACKING COMPANY and CAN-
NERY WAREHOUSEMEN, FOOD PROC-
ESSORS, DRIVERS AND HELPERS,
LOCAL UNION No. 679, AFL.,
Respondents.

SUPPLEMENTAL
Transcript of Record

Petition for Enforcement of Order of the
National Labor Relations Board.

In the United States Court of Appeals
For the Ninth Circuit

No. 12630

NATIONAL LABOR RELATIONS BOARD,
Petitioner,

vs.

CLARA-VAL PACKING COMPANY and CAN-
NERY WAREHOUSEMEN, FOOD PROC-
ESSORS, DRIVERS AND HELPERS,
LOCAL UNION No. 679, AFL.,
Respondents.

MOTION FOR LEAVE TO FILE ANSWER TO
PETITION OF THE NATIONAL LABOR
RELATIONS BOARD FOR ENFORCE-
MENT OF ITS ORDER

Comes Now respondent Cannery Warehousemen,
Food Processors, Drivers and Helpers, Local Union
No. 679, AFL., and moves the Court by its attorney,
I. B. Padway, for leave to file its answer in the
above-entitled cause, copy of which is attached
hereto.

That the reason for its said request is that an
employee of the respondent inadvertently mislaid
the notice served upon the respondent, and that the
failure to file said answer was first called to the
attention of the respondent by its attorney when the
transcript of the record disclosed the failure to file
said answer.

/s/ I. B. PADWAY.

Upon motion of I. B. Padway, attorney for respondent Cannery Warehousemen, Food Processors, Drivers and Helpers, Local Union No. 679, AFL., seeking to file its answer to the petition herein, and the Court being apprised of all the facts and circumstances surrounding said motion, makes the following order:

Permission is now granted to file the original of the attached answer.

/s/ WILLIAM HEALY,
Judge of the United States Court of Appeals for
the Ninth Circuit.

/s/ HOMER T. BONE,
Circuit Judge.

/s/ WALTER L. POPE,
Circuit Judge.

[Title of Court of Appeals and Cause.]

ANSWER TO PETITION OF THE NATIONAL
LABOR RELATIONS BOARD FOR EN-
FORCEMENT OF ITS ORDER

Comes Now the respondent Cannery Warehousemen, Food Processors, Drivers and Helpers, Local Union No. 679, AFL., and for answer to the petition of the National Labor Relations Board for the enforcement of its order against this respondent, admits, denies, qualifies and alleges as follows:

I.

Admits Paragraph 1 of the petition herein.

II.

Denies Paragraph 2 of the petition herein, and in this respect this answering respondent alleges that the findings of fact and conclusions of law made by the petitioner on December 16, 1949, were contrary to law then and there existing, and contrary to the express terms of the Labor Management Relations Act, being public law 101 enacted by the Eightieth Congress as of June 23, 1947.

III.

Expressly denies that the order of the National Labor Relations Board as contained in Paragraph 2 of the petition herein, was based upon any proper findings of fact and conclusions of law.

Wherefore respondent prays that said petition be dismissed.

/s/ I. B. PADWAY,

Attorney for Respondent Cannery Warehousemen,
Food Processors, Drivers and Helpers, Local
Union No. 679, AFL.

State of California

County of Santa Clara—ss.

Edward Felley, being first duly sworn, deposes and says: That he is the Secretary of the respondent Cannery Warehousemen, Food Processors, Drivers and Helpers, Local Union No. 679, AFL., and that he makes this verification on its behalf; that he has

read the foregoing answer to petition of the National Labor Relations Board for enforcement of its order and knows the contents thereof; that the same is true of his own knowledge except as to those matters therein stated on information and belief and as to them he believes them to be true.

/s/ EDWARD FELLEYY.

Subscribed and sworn to before me, this 5th day of October, 1950.

[Seal] /s/ HELEN HUNT,
Notary Public in and for the County of Santa Clara,
State of California.

[Endorsed] Filed October 5, 1950.

No. 12630

In the United States Court of Appeals
for the Ninth Circuit

NATIONAL LABOR RELATIONS BOARD, PETITIONER

v.

CLARA-VAL PACKING COMPANY

AND

CANNERY WAREHOUSEMEN, FOOD PROCESSORS, DRIVERS
AND HELPERS, LOCAL UNION No. 679, AFL, RESPOND-
ENTS

ON PETITION FOR ENFORCEMENT OF AN ORDER OF THE
NATIONAL LABOR RELATIONS BOARD

BRIEF FOR THE NATIONAL LABOR RELATIONS BOARD

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*ON PETITION FOR ENFORCEMENT OF AN ORDER OF THE
NATIONAL LABOR RELATIONS BOARD*

BRIEF FOR THE NATIONAL LABOR RELATIONS BOARD

JURISDICTION

This case is before the Court on petition of the National Labor Relations Board pursuant to Section 10 (e) of the National Labor Relations Act, as amended,¹ hereafter called the Act, for enforcement of its order issued against Clara-Val Packing Company, hereafter called Clara-Val, and the Cannery Warehousemen, Food Processors, Drivers and Helpers, Local Union

¹ 61 Stat. 136, 29 U. S. C. Supp. III, Secs. 151, *et seq.* Relevant portions of the Act appear in Appendix A, *infra*, pp. 25-28.

No. 679, AFL, hereafter called the Union, respondents herein, on December 16, 1949, following the usual proceedings under Section 10 of the Act. This Court has jurisdiction of these proceedings under Section 10 (e) of the Act, the unfair labor practices having occurred within this judicial circuit at Clara-Val's plant at Morgan Hill, California.² The Board's Decision and Order (R. 5-17)³ is reported at 87 NLRB No. 120.

STATEMENT OF THE CASE

I. The Board's Findings of Fact

The Board's findings of fact are based on stipulation entered into by the parties (R. 43). The terms of employment at the Clara-Val plant were governed in June, 1948, by a "Master" collective bargaining contract (*infra*, pp. 29-31).⁴ This master contract, adopted by Clara-Val and the Union as their own, had been executed by the California Processors and Growers, Inc., a group of California cannery operators of which Clara-Val is not a member, and the California State Council of Cannery Unions, AFL, of which the

² Clara-Val, a California corporation, is engaged in the business of processing and shipping fruit. In the last half of 1948 its sales were approximately \$400,000 in value, 90 percent of which was shipped outside the State of California. Clara-Val concedes that it is engaged in commerce within the meaning of the Act; accordingly, no jurisdictional question is presented. (R. 24-25; 62-64.)

³ References to portions of the printed record are designated "R." Those references preceding the semicolons are to the Board's findings and those following semicolons are to the supporting evidence.

⁴ The pertinent provisions of the collective bargaining contract between Clara-Val and the Union are printed in Appendix B (*infra*, pp. 29-31) to this brief because the court's printer did not include them in the printed record. The contract was introduced into evidence as Union Exhibit No. 1 (R. 43-44, 67-68), and was included in the Board's designation of the parts of the record to be printed.

Union is a part (R. 25-26; 67, 74). It had been entered into originally on June 10, 1941, and had been amended on six occasions prior to the occurrences here involved (R. 26; *infra*, p. 29). The most recent amendment was executed on May 20, 1947, predated to March 1, 1947, in accordance with the terms of the contract (R. 26; 72, *infra*, p. 31). It included a clause which made union membership in good standing a condition of continued employment (R. 6, 26; 68, *infra*, p. 29). The duration of the contract, as amended on May 20, 1947, was provided for in the following clauses (*infra*, pp. 30-31):

Section XV

TERM OF AGREEMENT

(a) The exclusive collective bargaining relationship provided by this Agreement and effective from and after March 1st, 1947 shall continue without expiration date until:

1. Terminated by written notice served by either party upon the other as provided in Paragraph (a) Section XII⁵ or in Paragraph (b) of this Section, or

2. Terminated by written notice served by either party upon the other as provided in Section XVI (b) 2.

(b) The anniversary date of this Agreement shall be March 1st of each year. If either party desires to terminate the exclusive collective bargaining relationship and this Agreement on any

⁵ Paragraph (a) of Section XII provides for termination by one party if the other party should engage in a strike, lockout or slow-down not provoked by contract violations of the opposite party. *Infra*, pp. 29-30.

anniversary date, written notice to such effect shall be served between February 16th and March 1st of the year then current.

Section XVI

PROCEDURE FOR MODIFICATION

(a) In the event either party desires to modify any of the terms of this Agreement or to establish new or different terms or conditions, written notice specifying in exact language the changes desired shall be served within the sixteen (16) day period December 16th to December 31st inclusive. The months of January and February following service of the above notice shall be devoted to negotiations and if the parties are in complete agreement all changes mutually agreed upon shall become effective on March 1st and shall remain effective for not less than twelve (12) months thereafter.

(b) If any of the matters under negotiation are still in dispute on March 1st, either of the following actions may be taken:

1. The parties may mutually agree upon an additional period or periods of negotiation and the changes finally agreed upon shall become effective on a mutually acceptable date and shall remain effective until at least the following March 1st.

2. Either party by written notice on or after March 1st may terminate the collective bargaining relationship and this Agreement.

(c) If, during the December 16th to December 31st period, neither party serves notice of a desire to modify any of the terms of this Agreement or to

establish new or different terms or conditions, then this Agreement shall continue for an additional period of at least twelve (12) months after the next March 1st anniversary date.

The first specified anniversary date of the contract, March 1, 1948, passed without notice for termination or modification having been given by either Clara-Val or the Union (R. 26; 72).

About the middle of June 1948, the Union found that one of its members, employee Nora Stiers, after completing her work day at Clara-Val, worked additional hours in a nearby food processing plant against which the Union was conducting a strike (R. 6, 26; 65, 68-69). In order to gain admittance to the struck plant, employee Stiers was forced to cross a Union picket line of approximately 12 persons (R. 6, 26; 65, 69). Upon discovering this practice by Stiers, the Union's executive board fined her \$200 for acting in violation of the Union's constitution, which sum was to be reduced to \$25 upon her promise to refrain from further violations (R. 26-27; 69). Employee Stiers refused to pay either sum or to make any such promise (R. 27; 69). Thereupon the Union informed Clara-Val that as a result of employee Stiers' actions she was no longer a union member in good standing, and demanded that she be discharged in accordance with the terms of the collective bargaining contract (R. 6, 27; 65, 69, 70, 71). A work stoppage and picket line were threatened if Clara-Val did not comply (R. 6, 27; 65, 71). Pursuant to the Union demand, Clara-Val discharged employee Stiers on June 24, 1948 (R. 6, 27; 65, 69).

II. The Board's Conclusions of Law

On the basis of the foregoing facts the Board concluded that Clara-Val had discharged employee Stiers in violation of Section 8 (a) (1) and 8 (a) (3) of the Act, and that the Union had violated Section 8 (b) (2) of the Act by causing her discharge (R. 7). The compulsory union membership clause of the collective bargaining contract was held to be invalid, since no authorization to execute a union security provision had been obtained pursuant to Section 9 (e) of the Act (R. 6-7; 66, 76). Although the compulsory membership clause had been entered into prior to the enactment of the 1947 amendments to the Act, the Board held that it had been "renewed or extended" within the meaning of Section 102 of the Act by the passing of the automatic renewal date of March 1, 1948, and therefore was subject to the 1947 amendments concerning union security (R. 6, 29). The Board further concluded, one member dissenting, that the Union's conduct in causing the discharge of employee Stiers restrained and coerced employee Stiers in the exercise of her right under Section 7 of the Act to refrain from engaging in union activity, and therefore constituted a violation of Section 8 (b) (1) (A) (R. 7-10).

III. The Board's Order

The Board's order requires both Clara-Val and the Union, jointly and severally, to make whole employee Stiers for the amount of her loss of earnings resulting from her discharge (R. 13-14).

In addition, the Board's order requires Clara-Val to cease and desist from encouraging membership in the

Union by discriminating in regard to the hire or tenure of employment of its employees, and from in any other manner interfering with, restraining, or coercing its employees in their right to refrain from engaging in union activities (R. 10-11). Affirmatively Clara-Val is ordered to offer employee Stiers reinstatement, and to post appropriate notices (R. 11).

Furthermore, the Board's order requires the Union to cease and desist from: (1) causing, by threat of strike, Clara-Val to discriminate against its employees because they are not union members in good standing, except in accordance with Section 8 (a) (3) of the Act; from (2) in any other manner causing or attempting to cause Clara-Val to discriminate against its employees in violation of Section 8 (a) (3) of the Act; and from (3) restraining or coercing Clara-Val's employees in the exercise of their right to refrain from engaging in union activities (R. 12-13). Affirmatively the Union is ordered to post appropriate notices (R. 13).

SUMMARY OF ARGUMENT

The discharge of employee Stiers, accomplished by Clara-Val upon the demand of the Union because employee Stiers had crossed a union picket line, violated the job protection afforded by the Act to employees who refrain from engaging in union activities and who are expelled from union membership therefor. The closed-shop contract in existence between Clara-Val and the Union does not justify this discriminatory discharge, since, although entered into prior to the enactment of the 1947 amendments to the Act which proscribe such a contract, it was nonetheless "renewed

or extended” within the meaning of Section 102 to the Act before the discharge occurred, and therefore was no longer exempt from the impact of the amendments to the Act. The “renewal or extension” of the contract resulted from the operation of an automatic renewal clause, contained in the contract, which provided that unless notice was given by one of the parties within a prescribed time, the contract was to bind the parties for an additional period of one year. Since neither party served the other with the prescribed notice subsequent to the enactment of the amendments to the Act, the contract automatically “renewed or extended” itself upon the date provided for therein, which occurred before employee Stiers’ discharge.

The Board’s holding that the contract in this case was subject to the union security provisions of the amendments to the Act comports with legislative intent. Congress delayed the application of the amendments’ union security provisions to correspond with the earliest regular interval that parties in a collective bargaining relationship could, without disruption to the stability of industrial relations, accommodate their agreement to the amendments. Since a specified period was set aside in the contract in the instant case for its renegotiation, the parties had full opportunity to conform the contract to the amendments. The renegotiation period had passed at the time of employee Stiers’ discharge, and the contract was therefore controlled by the amendments within Congressional intentment.

In addition to violating Section 8 (b) (2) of the Act in causing the discriminatory discharge, the Union has also violated Section 8 (b) (1) (A) in that it has “re-

strained and coerced" employee Stiers in her right to refrain from engaging in union activities. No clearer illustration of "restraint and coercion" of an employee may be given than the deprivation of her employment.

ARGUMENT

I. The Board Properly Concluded That the Discharge of Employee Stiers by Clara-Val Upon the Demand of the Union Constituted Violations of Section 8 (a) (1) and (a) (3) of the Act by Clara-Val and of Section 8 (b) (2) by the Union

A. The Statutory Provisions

By the 1947 amendments to the Act, Section 8 (a) (3) makes it an unfair labor practice for an employer to discharge an employee because of expulsion from union membership unless the union has a properly authorized union shop contract with the employer, and the expulsion results from nonpayment of dues. One of the requisites of a valid union shop agreement is that a majority of the employees in the unit, in accordance with a referendum procedure provided for in Section 9 (e) (1) of the Act, authorize the union to execute a union shop contract. Similarly, by Section 8 (b) (2), a labor organization commits an unfair labor practice if it causes an employer to discharge an employee in violation of Section 8 (a) (3).

In this case, the discharge of employee Stiers was effectuated at the Union's insistence for reasons other than the nonpayment of dues, and the compulsory membership clause of the contract between Clara-Val and the Union had not been entered into in accordance with the provisions of the Act, in that no election authorizing its execution had been held (*supra*, pp. 5; 66-76). There-

fore, both Clara-Val and the Union committed unfair labor practices in having employee Stiers discharged, unless the collective bargaining agreement pursuant to which the discharge was made was exempted from the union security regulations provided by the Act.

Clara-Val and the Union contended before the Board that the validity of their contract, insofar as it concerns union security, was preserved by Section 102 of the Act, which postpones the effective date of certain of the 1947 amendments. The relevant part of Section 102 of the Act is as follows:

“. . . the provisions of section 8 (a) (3) and section 8 (b) (2) of the National Labor Relations Act as amended by this title shall not make an unfair labor practice the performance of any obligation under a collective bargaining agreement entered into prior to the date of the enactment of this Act, or (in the case of an agreement for a period of not more than one year) entered into on or after such date of enactment, but prior to the effective date of this title, if the performance of such obligation would not have constituted an unfair labor practice under section 8 (3) of the National Labor Relations Act prior to the effective date of this title, *unless such agreement was renewed or extended subsequent thereto.*” [Emphasis supplied.]

The amendments of the Act were passed on June 23, 1947, and became effective on August 22, 1947. The collective agreement between Clara-Val and the Union was entered into on May 20, 1947, made retroactive to March 1, 1947, both dates being prior to the enactment of the 1947 amendments to the Act. While the contract's compulsory membership clause was therefore

valid at the time of its execution,⁶ we shall show that it was automatically renewed or extended on March 1, 1948, when neither Clara-Val nor the Union gave notice of termination or modification of their agreement. This renewal or extension withdrew the contract from the protection of Section 102 of the Act, and therefore furnishes no justification for the subsequent discharge.

B. The collective bargaining agreement between Clara-Val and the Union was automatically renewed or extended within the meaning of Section 102 of the Act prior to the discharge of employee Stiers

Sections XV and XVI of the collective bargaining contract between Clara-Val and the Union, which provide for the term of the agreement and the time when modifications may be effectuated, constitute a frequently used arrangement known as an "automatic renewal clause." This familiar type of agreement normally provides that the collective bargaining contract of which it is a part shall continue for additional specified terms if no notice to the contrary is given by either party before an agreed date; hence the name "automatic renewal." These clauses are most often encountered in representation cases, where the term of a contract is important for the purpose of determining whether the proceeding is subject to the "contract bar" rule,⁷ or whether, on the contrary, the time is appropriate to

⁶ Compulsory membership agreements were permitted under Section 8 (3) of the original Act.

⁷ This is the name given to the rule evolved by the Board under which the Board holds that an existing contract, in the interest of stability, is for a certain period a bar to the redetermination of the employees' bargaining representative. See, Fourteenth Annual Report of the Board, pp. 22-23.

hold an election to choose a bargaining representative. The Board, in the exercise of its function of ascertaining employee representation,⁸ has laid down a well established set of rules governing the time appropriate for an election in bargaining units covered by contracts containing automatic renewal clauses,⁹ and in doing so has explained the attributes of an automatic renewal clause (*Little Rock Furniture Mfg. Co.*, 80 NLRB 65, 66):

Collective bargaining practices indicate that parties to contracts containing automatic renewal clauses contemplate that the agreements are to run for successive terms but, in the event that during any current contract term, either party becomes dissatisfied with the agreement, such party will have a specified period . . . immediately prior to the end of the contract term to negotiate outstanding differences so that contractual relations will be uninterrupted.

Thus the elements of the automatic renewal clause are (1) a specified period which in ordinary circumstances is the only time that amendments to or modifications of the contract may be negotiated, (2) a specified date by which time notice must be given by either party wishing termination or modification, (3) the signification, by

⁸ See Section 9 (b) and (c) of the Act. See also, *Iob v. Los Angeles Brewing Co.*, 183 F. 2d 398, 404 (C. A. 9); *Fay v. Douds*, 172 F. 2d 720, 722 (C. A. 2); *N. L. R. B. v. Geraldine Novelty Co.*, 173 F. 2d 14, 17, 18 (C. A. 2); *N. L. R. B. v. Grace Co.*, 26 LRRM 2536, 2538-2539 (C.A. 8, September 13, 1950).

⁹ See, e.g., *Mill B., Inc.*, 40 NLRB 346; *Green Bay Drop Forge Co.*, 57 NLRB 1417; *U. S. Pipe and Mfg. Co.*, 78 NLRB 15; Fourteenth Annual Report of the Board (1950), pp. 24-25.

absence of timely notice, that the contract will bind the parties for an additional specified term.

The agreement between Clara-Val and the Union contains such an automatic renewal clause. There is manifested a plain intent that the contract should run for successive terms, with either party having the option to terminate it or negotiate modifications to become effective on the anniversary date¹⁰ of the contract. Executed to begin on March 1, 1947, the contract has a definite term of only 1 year, barring its breach. Thus Section XV of the contract states that the agreement shall continue from March 1st, 1947 without expiration until (1) terminated by notice of either party upon the breach of the other, or (2) terminated by notice of either party to take effect on the anniversary date of March 1st, following the notice (*supra*, p. 30). Under Section XVI modification of the contract likewise requires notice of at least 60 days prior to March 1st of any year, which notice is to be followed by negotiations looking toward an agreement that may be put into effect on March 1st to carry through for at least another year. Failure to give the prescribed notice signifies that the "Agreement shall continue for an additional period of at least twelve (12) months after

¹⁰ The term "anniversary date," as used in the contract between Clara-Val and the Union, has been established by usage and by Board terminology to refer to the time at which the new term of the contract begins by virtue of the automatic renewal clause. See, e.g., *General Electric Co.*, 77 NLRB 1198, 1199; *Memphis Butchers Ass'n, Inc.*, 72 NLRB 934, 936; *Neon Products, Inc.*, 74 NLRB 766, 768; *The Ohio River Co.*, 66 NLRB 128, 129; *Pointer-Willamette Co.*, 64 NLRB 469, 470; *Red Jacket Mfg. Co.*, 62 NLRB 740, 742; *Borg-Warner Corp.*, 58 NLRB 449, 450.

the next March 1st anniversary date.”¹¹ Thus the contract follows the normal pattern of automatic renewal clauses. There is present the usual anniversary date before which changes or termination may not take effect, that is, the usual period during which the parties are irrevocably bound; there is present the customary specified date by which time notice must be given in order to modify or terminate; and finally, there is present the usual provision that a failure to give timely notice, which occurred in this case, operates to extend the contract for an additional defined period. The Board properly found, therefore, “that the contract provisions contained an ‘automatic renewal clause’ ” (R. 29).

It is thus apparent that when the parties to the contract did not give notice of termination or modification at the specified period, the automatic renewal clause operated to continue the contract for an additional one year term after March 1, 1948. It became, therefore, an agreement “renewed or extended subsequent” to the enactment of the amendments within the meaning of Section 102 of the Act.¹² No qualification is attached to the words “renewed or extended.” A contract term which would expire except for the operation of an automatic renewal clause is a contract

¹¹ Section XVI (c) of the Contract (*supra*, p. 31). The choice of March 1st as the anniversary date is not entirely arbitrary. This contract is widely used in the California fruit packing industry, where employment is highly seasonal. The number of workers exceeds 50,000 during the summer peak, and slacks off to under 5,000 in the off season, which begins in November and ends in March of the following year. See *Bercut Richards Packing Co.*, 64 NLRB 133, 138-139.

¹² See Teller, *Labor Disputes & Collective Bargaining*, Vol. 2, 1948 Supplement, Sec. 398.73, p. 81.

“renewed or extended,” particularly since those words were without doubt used by Congress with the knowledge of the existence of such clauses and the Board’s treatment of them. Certainly an agreement of the parties at the outset of the contract term that their silence during a specified annual interval will be the signal for an automatic renewal and extension of their contract is no less a renewal and extension than one which is arranged a few days before the term runs out. In either case there is an agreement not to permit the contract to expire, but rather to prolong its life for at least another specified term. It is precisely this sort of prolongation of a compulsory membership clause that Section 102 expressly subjects to the regulation of the amendments to the Act. Accordingly, after March 1, 1948, the contract between Clara-Val and the Union was no longer exempt.

Before the Board, however, Clara-Val and the Union contended that, at the time of employee Stiers’ discharge, their collective bargaining contract had not expired, since it had an indefinite term which in no way had been interrupted, and therefore it could not have been automatically renewed. In other words, they contend that their agreement is one for an indefinite duration, rather than one automatically renewable for successive years. The way in which this contention is developed is itself the best demonstration of the impossibility of ignoring the annual term which measures the operation of the contract. Thus Clara-Val and the Union rely on that part of their contract which reads, “this agreement . . . shall continue without expira-

tion date"¹³ and urge that these words give it a continuing, termless duration. The phrase they quote is lifted out of its context in the contract in a manner that eliminates its qualifications and thereby obscures its meaning. The words "without expiration date" are followed, without punctuation, by the qualifying word "until," after which several methods for terminating or modifying the contract are outlined. As we have explained, no modification or termination may take effect before the anniversary date of March 1st. Furthermore, once the date for notification of change or termination has passed without either party having given such notice, the contract cannot be altered for another twelve months. From the entirety of the contract it is thus abundantly clear that it has a very definite term, running from March 1st to March 1st of each year. In fact, there is no time during a year, barring the period subsequent to notice, at which it may be said with certainty that the contract will be effective for more than a twelve month period, beginning and ending on March 1st. Accordingly, the first term of the contract ended on March 1, 1948, prior to the discharge of employee Stiers. The failure of either party to give timely notice was the agreed signal that the contract should be automatically renewed for an additional year.

Just as Clara-Val and the Union err in contending that their contract had no definite term which could permit its automatic renewal, so are they in error in assuming that there can be no automatic renewal of a contract until after it has expired by its own terms. In other words, the contention is that unless the con-

¹³ Section XV of the Contract (*supra*, p. 30).

tract specifically states it is to end at a given time and resume at a given time, it cannot be said to have been automatically "renewed or extended." But the failure of a contract explicitly to state that it ends on a certain date and simultaneously begins again if there has been no notice to the contrary is a technicality upon which the Board has never hinged its definition of an automatic renewal clause.¹⁴ Contracts which speak in terms of continued operation from year to year, in the event of no contrary notice, have regularly been referred to as automatic renewal contracts.¹⁵ The metaphysical question of whether a contract has a theoretical termination and instantaneous new beginning has no place in the determination of whether the parties have agreed to an automatic form of extending their collective bargaining agreement each year. The decisive factor in this type of clause is that it functions in such a manner as to continue for defined intervals unless at regular specified periods, and in accordance with the agreed procedure, one of the parties gives notice to the contrary. Clearly the contract between Clara-Val and the Union accomplishes that purpose.

¹⁴ Cf. *Blair Limestone Co.*, 70 NLRB 689, 691.

¹⁵ See, e.g., *Groveton Papers Co.*, 52 NLRB 1256, 1257; *Borg-Warner Corp.*, 58 NLRB 449, 450-451; *The Narragansett Electric Co.*, 64 NLRB 1492, 1496; *Neon Products, Inc.*, 74 NLRB 766, 767, 768; *General Electric Co.*, 74 NLRB 415, 416; *Manhattan Coil Corp.*, 79 NLRB 187, 189; *Omaha Packing Co.*, 67 NLRB 304, 305; *North Range Mining Co.*, 47 NLRB 1306, 1307-1308.

C. Congress intended that the compulsory membership provisions of 1947 amendments should apply to collective bargaining agreements following the earliest regular interval for their renegotiation or modification

The Board's interpretation of the contract in this case fulfills the purpose underlying the amendments' regulation of union security and the deferment of that regulation for the term of existing contracts.

The compulsory membership features of the 1947 amendments to the Act were among the most important policy changes of that legislation. It was Congress' intent to eliminate the evils of the closed shop system, and to give employees the freedom to refrain from engaging in union activities without the fear of losing their jobs.¹⁶ At the same time it was recognized that an immediate application of these changes in the Act would incur confusion and unrest in the many industries where various forms of union security were traditional and had brought stability to employer-employee relations.¹⁷ Likewise it was necessary to give the Board an opportunity to accommodate its rules and regulations to the changes, and to train its personnel.¹⁸ For these reasons the effective date of the amendments was postponed for 60 days following enactment,¹⁹ and further delays were made in the application of various provi-

¹⁶ H. R. Rep. No. 245, 80th Cong., 1st Sess., 33-34 (1947); Sen. Rep. No. 105, 80th Cong., 1st Sess. 6-7 (1947).

¹⁷ Sen. Rep. No. 105, 80th Cong., 1st Sess. 28 (1947); compare remarks of Senator Taft on floor of Senate, 93 Cong. Rec. 3837.

¹⁸ Summary of differences between the Conference Agreement and the Senate bill, (Taft) 93 Cong. Rec. 6445.

¹⁹ Section 104 of the Act.

sions. Thus the amendments were not to affect existing certifications of employee representatives or determinations of bargaining units in cases affected by collective bargaining agreements until the end of the contract period, if less than a year away.²⁰ Similarly, contracts containing compulsory membership clauses could be entered into between the date of enactment of the amendments and their effective date, providing these contracts did not last more than 1 year.²¹ In the event compulsory membership clauses had been entered into before the date of the enactment of the amendments, as in the instant case, the amendments were to have no effect until the contract had ended, or was renewed or extended.²²

In each case where Congress postponed an effective date, the period of delay has been tied to the term of individual bargaining agreements. Thus the principle underlying the postponements is that once a contract has run its normal term, during which changes cannot be made, it is no longer afforded an exemption from the amendment provisions dealing with certifications, bargaining units, and compulsory membership. This principle is in full harmony with the reasons for postponement, since the synchronization of changes in the Act with the expected intervals of contractual negotiations and modifications permits employers and unions to adjust their contracts to the amendments without disruption to the bargaining relationship. In the case of an agreement which calls for modification or termination

²⁰ Section 103 of the Act.

²¹ Section 102 of the Act.

²² Section 102 of the Act.

upon a given date of each year, that date is the interval of time that Congress contemplated should be used for adapting the contract to the amendments. It follows that the words "renewed or extended" in Section 102 of the Act, as applied to such a contract, refer to a renewal or extension beyond the earliest terminable date as established by regular bargaining practices. Otherwise, by the simple device of remaining silent during the usual periods set aside for negotiation, parties who are satisfied with collective bargaining agreements containing regularly established terms might perpetuate indefinitely practices that openly violate some of the most important provisions Congress enacted.

To achieve this perpetuation of forbidden practices, which conflicts with the Congressional purpose, Clara-Val and the Union urge that there can be no extension of a contract until the parties have in fact caused the previously existing terms to have expired. However, as we have shown, Congress' concern with respect to delaying the effective dates of the amendments was not to have the delay coincide with the time that the parties may actually desire to end or modify their collective bargaining contracts; rather the purpose was to coincide the delay with the earliest regular opportunity of employers and labor organizations in their normal bargaining relationship to adjust their contracts to the amendments. The renewal or extension of a contract is thus to be measured from interval established for renegotiation, and not from the advent of a time when the parties may desire to avail themselves of the opportunity to renegotiate, after forestalling that event to suit their private convenience. Clearly, the existence of a

contract beyond its annual termination and modification date is an extended existence, and it is certain that such a contract has been extended beyond the time that Congress intended for the adjustment of the contract to the 1947 amendments to the Act.

In the instant case the contract between Clara-Val and the Union set aside an annual period for negotiating modifications, namely, the months of January and February, based on a notice given during the second half of December. Changes agreed upon, or termination, if desired, were to be effective from March 1st. Thus it is apparent that the contract has an annual rhythm. No disruption in the bargaining relationship between Clara-Val and the Union results from changes adopted in accordance with the prescribed procedure, which has been followed for several years. Since the parties had full and regular opportunity to accommodate their agreement to the amendments beginning mid-December and ending March 1, 1948, the expiration of that period marked the time at which the amendments were meant to apply, as provided in Section 102 of the Act. It follows that employee Stiers' discharge, occurring on June 24, 1948, was made pursuant to an invalid contract which furnishes no defense to the unfair labor practice charge.

II. The Board Properly Found That the Union Violated Section 8 (b) (1) (A) of the Act in Causing the Discharge of Employee Stiers Pursuant to an Invalid Union Security Agreement

In addition to its finding that the Union had violated Section 8 (b) (2) of the Act, the Board concluded that the Union had violated Section 8 (b) (1) (A) by caus-

ing the discharge of employee Stiers. Section 8 (b) (1) (A) provides that:

It shall be an unfair labor practice for a labor organization or its agents (1) to restrain or coerce (A) employees in the exercise of the rights guaranteed in section 7

Section 7 in turn extends to employees the right, *inter alia*, to refrain from engaging in union activities except to the extent that the right is affected by a properly authorized union shop contract. As we have shown, there was no valid union shop agreement in effect between Clara-Val and the Union at the time of employee Stiers' discharge. It follows that Section 7 of the Act guaranteed her the right to cross the Union's picket line and to work in a struck plant without being restrained or coerced. If her discharge at the Union's insistence "restrained or coerced" her in this conduct, the Board was correct in finding that the Union had violated Section 8 (b) (1) (A) of the Act.

No demonstration is required to show that no better method to restrain and coerce employees is available than the deprivation of the means of their livelihood. To employees, discharge from their employment is the ultimate in economic coercion. Working people are not free to engage in, or to refrain from engaging in "concerted activities"²³ if an unrestricted power to effect their discharges for that reason resides in an employer or a union.

Section 8 (b) (1) (A) was designed to reach "situations involving actual or threatened economic reprisals

²³ Section 7 of the Act.

and physical violence by unions or their agents against specific individuals or groups of individuals in an effort to compel them to join a union or to cooperate in a union's strike activities."²⁴ Thus, where intimidation of employees by a union through actual or threatened physical violence occurs, the union has violated Section 8 (b) (1) (A).²⁵ A union's threats of economic coercion,²⁶ or as in this case, their effectuation,²⁷ are no less violative of Section 8 (b) (1) (A).

Accordingly, where, as here, a union causes the discharge of an employee because, in crossing a picket line and working in a struck plant the employee refuses to join with the union in organizational activity, the employee is restrained and coerced in the exercise of the right to refrain from engaging in union activity. The employee is no less restrained and coerced by the union because the discharge is effectuated by the employer in accession to the union's demand.

²⁴ *International Typographical Union*, 86 NLRB 951, 956. Thus Senator Taft summarized the section as requiring of unions, *vis a vis* their relations to employees, "You can persuade them; you can put up signs; you can conduct any form of propaganda you want in order to persuade them, but you cannot, by threat of force or threat of *economic reprisal* prevent them from exercising their right to work." [Emphasis supplied.] 93 Cong. Rec. 4436; see also, 93 Cong. Rec. 4021, 4023; *National Maritime Union*, 78 NLRB 971, 982-987.

²⁵ *Sunset Line & Twine Co.*, 79 NLRB 1487; *Perry Norvell Co.*, 80 NLRB 225; *Smith Cabinet Mfg. Co.*, 81 NLRB 886; *North Electric Mfg. Co.*, 84 NLRB 136; *Colonial Hardwood Flooring Co., Inc.*, 84 NLRB 563; *Cory Corp.*, 84 NLRB 972.

²⁶ *Seamprufe, Inc.*, 82 NLRB 892; *H. M. Newman*, 85 NLRB 725.

²⁷ *Union Starch and Refining Co.*, 87 NLRB No. 137.

CONCLUSION

For the reasons stated it is respectfully submitted that a decree should issue enforcing the Board's order in full.

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NOVEMBER 1950.

APPENDIX A

The relevant provisions of the National Labor Relations Act, as amended (61 Stat. 136, 29 U. S. C. Supp. III, Secs. 151 *et seq.*), are as follows:

Rights of Employees

Sec. 7. Employees shall have the right to self-organization, to form, join, or assist labor organizations, to bargain collectively through representatives of their own choosing, and to engage in other concerted activities for the purpose of collective bargaining or other mutual aid or protection, and shall also have the right to refrain from any or all of such activities except to the extent that such right may be affected by an agreement requiring membership in a labor organization as a condition of employment as authorized in section 8 (a) (3).

Unfair Labor Practices

Sec. 8 (a) *It shall be an unfair labor practice for an employer*—(1) to interfere with, restrain, or coerce employees in the exercise of the rights guaranteed in section 7; * * * (3) by discrimination in regard to hire or tenure of employment or any term or condition of employment to encourage or discourage membership in any labor organization: *Provided*, That nothing in this Act, or in any other statute of the United States, shall preclude an employer from making an agreement with a labor organization (not established, maintained, or assisted by any action defined in section 8 (a) of this Act as an unfair labor practice) to require as a condition of employment membership therein on or after the thirtieth day following the beginning of such employment or the effective date of such agreement, whichever is the later, (i) if such labor organiza-

tion is the representative of the employees as provided in section 9 (a), in the appropriate collective-bargaining unit covered by such agreement when made; and (ii) if, following the most recent election held as provided in section 9 (e) the Board shall have certified that at least a majority of the employees eligible to vote in such election have voted to authorize such labor organization to make such an agreement: *Provided further*, That no employer shall justify any discrimination against an employee for nonmembership in a labor organization (A) if he has reasonable grounds for believing that such membership was not available to the employee on the same terms and conditions generally applicable to other members, or (B) if he has reasonable grounds for believing that membership was denied or terminated for reasons other than the failure of the employee to tender the periodic dues and the initiation fees uniformly required as a condition of acquiring or retaining membership;

(b) It shall be an unfair labor practice for a labor organization or its agents—

(1) to restrain or coerce (A) employees in the exercise of the rights guaranteed in section 7: *Provided*, That this paragraph shall not impair the right of a labor organization to prescribe its own rules with respect to the acquisition or retention of membership therein;

* * * * *

(2) to cause or attempt to cause an employer to discriminate against an employee in violation of subsection (a) (3) or to discriminate against an employee with respect to whom membership in such organization has been denied or terminated on some ground other than his failure

to tender the periodic dues and the initiation fees uniformly required as a condition of acquiring or retaining membership;

* * * * *

Sec. 9. * * *

(e) (1) Upon the filing with the Board by a labor organization, which is the representative of employees as provided in section 9 (a), of a petition alleging that 30 per centum or more of the employees within a unit claimed to be appropriate for such purposes desire to authorize such labor organization to make an agreement with the employer of such employees requiring membership in such labor organization as a condition of employment in such unit, upon an appropriate showing thereof the Board shall, if no question of representation exists, take a secret ballot of such employees, and shall certify the results thereof to such labor organization and to the employer.

* * * * *

Effective Date of Certain Changes

Sec. 102. No provision of this title shall be deemed to make an unfair labor practice any act which was performed prior to the date of the enactment of this Act which did not constitute an unfair labor practice prior thereto, and the provisions of section 8 (a) (3) and section 8 (b) (2) of the National Labor Relations Act as amended by this title shall not make an unfair labor practice the performance of any obligation under a collective-bargaining agreement entered into prior to the date of the enactment of this Act, or (in the case of an agreement for a period of not more than one year) entered into on or after such date of enactment, but prior to the effective date of this title, if the

performance of such obligation would not have constituted an unfair labor practice under section 8 (3) of the National Labor Relations Act prior to the effective date of this title, unless such agreement was renewed or extended subsequent thereto.

Sec. 103. No provisions of this title shall affect any certification of representatives or any determination as to the appropriate collective bargaining unit, which was made under section 9 of the National Labor Relations Act prior to the effective date of this title until one year after the date of such certification or if, in respect of any such certification, a collective-bargaining contract was entered into prior to the effective date of this title, until the end of the contract period or until one year after such date, whichever first occurs.

Sec. 104. The amendments made by this title shall take effect sixty days after the date of the enactment of this Act, * * *

APPENDIX B

UNION EXHIBIT No. 1

Collective Bargaining Agreement

Between

California Processors and Growers, Inc.,

and

California State Council of Cannery Unions,
American Federation of Labor

as

Adopted June 10, 1941

Amended January 26, 1942

Amended July 10, 1943

Amended May 23, 1945

Amended November 19, 1945

Amended May 21, 1946

Amended May 20, 1947

* * * * *

Section IV

EMPLOYMENT CONDITIONS

(a) All employees performing work listed in Appendix A hereof shall be and shall remain members of the local in good standing as a condition of continued employment.

* * * * *

Section XII

ADJUSTMENT OF GRIEVANCES

(a) It is the intention of the parties to adjust any and all claims, disputes or grievances arising hereunder,

by resort to the procedures provided in this Section, and it is therefore agreed that during the life of this Agreement, there shall be no cessation of work, whether by strike, walkout, lockout, intentional slow-down or other interference with production, provided the parties hereto comply with the terms and conditions of this Agreement and follow the adjustment procedures of this Section. Violation of this provision shall constitute grounds for termination of the collective bargaining agreement by the aggrieved party, but said party may, without waiver of said breach and right to terminate, submit the violation to the Adjustment Board for appropriate action.

* * * * *

Section XV

TERM OF AGREEMENT

(a) The exclusive collective bargaining relationship provided by this Agreement and effective from and after March 1st, 1947 shall continue without expiration date until:

1. Terminated by written notice served by either party upon the other as provided in Paragraph (a) Section XII or in Paragraph (b) of this Section, or
2. Terminated by written notice served by either party upon the other as provided in Section XVI (b) 2.

(b) The anniversary date of this Agreement shall be March 1st of each year. If either party desires to terminate the exclusive collective bargaining relationship and this Agreement on any anniversary date, written notice to such effect shall be served between February 16th and March 1st of the year then current.

Section XVI

PROCEDURE FOR MODIFICATION

(a) In the event either party desires to modify any of the terms of this Agreement or to establish new or different terms or conditions, written notice specifying in exact language the changes desired shall be served within the sixteen (16) day period December 16th to December 31st inclusive. The months of January and February following service of the above notice shall be devoted to negotiations and if the parties are in complete agreement all changes mutually agreed upon shall become effective on March 1st and shall remain effective for not less than twelve (12) months thereafter.

(b) If any of the matters under negotiation are still in dispute on March 1st, either of the following actions may be taken:

1. The parties may mutually agree upon an additional period or periods of negotiation and the changes finally agreed upon shall become effective on a mutually acceptable date and shall remain effective until at least the following March 1st.

2. Either party by written notice on or after March 1st may terminate the collective bargaining relationship and this Agreement.

(c) If, during the December 16th to December 31st period, neither party serves notice of a desire to modify any of the terms of this Agreement or to establish new or different terms or conditions, then this Agreement shall continue for an additional period of at least twelve (12) months after the next March 1st anniversary date.

No. 12,630

IN THE
United States Court of Appeals
For the Ninth Circuit

NATIONAL LABOR RELATIONS BOARD,
Petitioner,

vs.

CLARA-VAL PACKING COMPANY and CANNERY WAREHOUSEMEN, FOOD PROCESSORS, DRIVERS AND HELPERS, LOCAL UNION No. 679, AFL,
Respondents.

On Petition for Enforcement of an Order of the
National Labor Relations Board.

BRIEF FOR RESPONDENTS.

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Local Union No. 679, AFL,
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FILED

DEC 13 1950

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UNION No. 679, AFL,
Respondents.

**On Petition for Enforcement of an Order of the
National Labor Relations Board.**

BRIEF FOR RESPONDENTS.

STATEMENT OF THE CASE.

The sole issue herein is the construction of the contract (Appendix B, pp. 29-31, Petitioner's Brief) between the respondents.

There are no disputed facts (R. 43) and therefore the construction of the contract is a question of law to be determined by the language of the contract uninfluenced by petitioner's findings.

Aluminum Co. v. N.L.R.B., supra, 159 F.(2d)
523 at 525.

If the contract was renewed or extended on March 1, 1948, within the meaning of Section 102 (P.B. 27) of the National Labor Relations Act (hereinafter called "Act") as amended in 1947, then petitioner's order should be enforced by decree of this Court; but if the contract was not so renewed or extended, then the petition should be dismissed.

Respondents contend that their contract was not so renewed or extended on March 1, 1948, because:

(1) The parties to the contract construed it as continuing in effect through that date and not as having been renewed or extended on that date.

(2) Contracts like that in the case at bar were not touched by the 1947 amendments to the Act.

(3) The doctrine of "automatic renewal", so-called, if applicable to this contract, is not the renewal or extension contemplated by Section 102 of the Act.

(4) The language of the contract does not permit of the construction petitioner seeks to put upon it.

I.

THE PARTIES' CONSTRUCTION OF THE CONTRACT.

It is important to keep in mind that the parties, and the sole parties to the contract are the two respondents.

It is obvious from the record that their positions are identical. Both respondents contend that their contract was not renewed or extended on March 1, 1948, that in fact nothing happened on that date and

that the contract in effect on March 2, 1948, was the same contract as was in effect on February 29, 1948, and neither a renewal nor an extension thereof.

It is elementary that the Courts will not interfere with the construction of a contract placed upon it by all the parties to it, unless such construction is unlawful or against public policy.

“The primary rule of construction is that the court must if possible, ascertain and give effect to the mutual intention of the parties, as of the time the contract was made, so far as that may be done without contravention of legal principles, statutes, or public policy.”

17 *C.J.S.* 689.

There is, or at least there was when the contract was executed prior to the 1947 amendments to the Act, no law or public policy prohibiting a permanent or indefinite contract with a maintenance-of-membership clause.

Aluminum Co. v. N.L.R.B., supra.

In fact, the law and public policy as expressed by the Act subsequent to the 1947 amendments, favored such contracts.

“Act, Sec. 243 (d) * * * *Provided*, That where there is in effect a collective-bargaining contract covering employees in an industry affecting commerce, the duty to bargain collectively shall also mean that no party to such contract shall terminate or modify such contract, unless the party desiring such termination or modification—

“(1) serves a written notice upon the other party to the contract of the proposed termina-

tion or modification sixty days prior to the expiration date thereof, or in the event such contract *contains no expiration date*, sixty days prior to the time it is proposed to make such termination or modification." (Emphasis ours.)

It will be noted that Section 243, Subsection (d) of the Act speaks of termination or modification and specifically refers to a contract which contains no expiration date that notice must be given sixty days prior to the time it is proposed to make a termination or modification of such a contract. It does not refer to this type of a contract as being extended or renewed, but recognizes a contract such as is expressly before this Court as being a contract containing no expiration date, and being a continuing contract until such time as the parties propose to terminate or modify such an agreement.

And the legal principle of a contract terminable only upon notice, and of permanent or indefinite duration in the absence of notice, is well recognized. Even when a contract is completely silent as to its duration, it can be terminated only upon reasonable notice.

Great Western Distillery Products Inc. v. J. A. Wathen Distillery Company, 10 C. (2d) 442.

"Where an agreement expressly stipulates that it is to continue * * * until the happening of a particular event * * * it remains in force and terminates in accordance with its terms, and not sooner."

17 C.J.S. 877.

II.

THE CONGRESSIONAL INTENT.

Maintenance-of-membership clauses in collective bargaining contracts are not *mala in se*.

Prior to the 1947 amendments to the Act such clauses were thought to be beneficial to the country's economy and the public good. Then the thinking changed, and such clauses are now "unfair". Conceivably the next Congress could reverse the 1947 stand and the pendulum could swing many times before the utopia of labor relations is achieved.

While it is clear that since the 1947 amendments there may not be maintenance-of-membership clauses in collective bargaining contracts, this is not to say that the Congress intended to invalidate contracts valid when made.

Petitioner contends that it was the Congress' intention that existing contracts should be "adjusted" to the 1947 amendments to the Act and that parties to a contract who were satisfied with it nevertheless had to change it by deleting the maintenance-of-membership clause and could not continue under the old contract "to suit their private convenience" (P.B. pp. 20-21).

In passing it may be observed that such a requirement probably would tend to defeat rather than promote the free flow of interstate commerce.

But regardless of any individual's theories, it is plain that nowhere in the 1947 amendments did the

Congress express an intent or purpose to compel the reformation of existing contracts in the foregoing respect.

It is reasonable to suppose that had the gentlemen of the Congress the intention which petitioner says they had, they would have expressed it, for there is no constitutional inhibition to its expression (the impairment of the obligation of contract being a power prohibited a state but not the United States: Art. I, Sec. 10 (1), Const.) and certainly they are capable of expressing their meaning.

But the Congress expressed no such intention and it must be presumed that its intent was not to chop off existing contracts.

The case of *Aluminum Co. v. N.L.R.B.*, supra, was decided in 1946 and of course before the 1947 amendments to the Act, and thus in contemplation of the law the amendments are to be interpreted in the light of that case when it is sought to ascertain the Congress' intent.

In the *Aluminum Co.* case the contract containing the maintenance-of-membership clause was to remain in effect for the period ending March 24, 1944, and "thereafter until modified, after at least thirty-days notice." (An addendum dated February 11, 1944, which expressly extended the date to March 24, 1945, was by its terms made a part of the original contract and therefore the case presented was as though the original contract specified 1945 instead of 1944.) In March, 1945, there was a new election and a new cer-

tification of the same union as the exclusive bargaining representative and thereafter the same parties made a new contract from May 29, 1945 to August 1, 1946 and "thereafter until modified, after at least thirty days notice". The employee was discharged on April 5, 1945. If the original contract was in effect on April 5, 1945, there was no unfair labor practice; if it were not in effect on that date, there was an unfair labor practice. In this regard the case is very similar to that at bar.

The Court held that the original contract was in effect, even though the union itself had notified the employees that its contract would expire on March 24, 1945, "because though the contracting parties were negotiating for a new agreement, neither of them had taken steps to disavow the existing contract as provided by its terms" (pp. 525-6).

Thus at the time of the 1947 amendments to the Act there was a flat Circuit Court of Appeals decision that the discharge of an employee pursuant to a contract which had passed a date on which it could have been but was not (for the parties' "private convenience") terminated or modified, was not an unfair labor practice.

It is true that there was no intervening change in public policy, but public policy does not change the law unless the policy maker uses language indicating such intention.

It is submitted with respect that the words "unless such agreement was renewed or extended" at the end

of Section 102 of the Act (P.B. 28) cannot be considered to have, in effect, "over-ruled" the *Aluminum Co.* case.

Section 103 of the Act (P.B. 28) provides that the 1947 amendments to the Act shall not affect certifications of collective bargaining representatives under the old Act for a year after certification and, in respect of such certifications, shall not affect prior contracts until the end of the contract period or one year after the amendments, whichever first occurs.

Had it been the Congress' intention to insure that maintenance-of-membership clauses would all be invalid after an adjustment period, as petitioner contends and respondents deny, it would have been very simple for the Congress to provide for such invalidation at the end of the contract period or upon subsequent renewal or extension or one year after the amendments, whichever first occurs, as was done in Section 103, or even to provide that the reaching of an anniversary date or period for giving notice of termination or modification would constitute the "cutting-off" date.

Section 102 exempts from the 1947 amendments as to unfair labor practices, acts performed pursuant to all contracts made prior to the enactment of the amendments or pursuant to contracts of not over one year if made after enactment but prior to the effective date of the amendments unless such contract was renewed or extended subsequently.

In other words, a contract made between the enacting and effective dates is exempt only for one year, but there is no such limitation on contracts made before the enacting date.

Can it be said that it was the Congress' intention to prohibit completely all maintenance-of-membership clauses after a period of adjustment, when Section 102 by its terms exempts a contract for, say, ten years? If respondents' contract by its terms was to expire on March 1, 1957, petitioner could not contend that the Congress had intended to invalidate it on March 1, 1948.

Section 8 (d) (1) of the Act shows that the Congress had in mind the existence of and recognized as valid contracts which contain no expiration date, but there is nothing in the Act to show that the Congress was even aware of what is called an "automatic renewal" clause.

Moreover, Section 8 (d) shows that it was entirely proper and consistent with the 1947 amendments for the respondents to do nothing in the notice period prior to March 1, 1948. According to petitioner, the parties to a contract must give notice of termination or modification every year whether or not they are satisfied with their contract, and the failure to give notice is ulterior, but according to Section 8 (d) and common sense, a contract is not terminated or modified unless notice is given of the desired end or change and it is not "unfair" not to desire an end or change every year.

See *Congressional Record* (Senate 6/12/47, p. 7002).

“Duty to Bargain. Section 8 (d): The amendment to this subsection providing that the duty to bargain collectively should not be construed as requiring either party to discuss or agree to any modification of the terms of a contract if such modification is to become effective before the contract may be reopened has been construed on the floor to mean “parties will be bound by contract without an opportunity for further collective bargaining.” The provision has no such effect. It merely provides that either party to a contract may refuse to change its terms or discuss such a change to take effect during the life thereof without being guilty of an unfair labor practice. Parties may meet and discuss the meaning of the terms of their contract and may agree to modifications on change of circumstances, *but it is not mandatory that they do so.*” (Emphasis ours.)

The truth of the matter appears to be that petitioner has reached its own conclusions as to what the Congress intended or should have intended by way of effectuating the new labor policies, without any support whatever from the language of the amendments and actually by straining such language to a point uncomprehended by Webster and other lexicographers.

Petitioner would have this Court rule, in effect, that, regardless of its terms and what the parties to it do or refrain from doing, no collective bargaining contract can exist unchanged for more than one year. Or, put another way, that every labor contract, again

regardless of its terms and what its parties do or don't do, must be considered as renewed every year.

Is this the way to achieve stability in "labor relations"?

III.

AUTOMATIC RENEWAL.

Each profession, trade or business has its own vocabulary. These vocabularies often contain the same words, but in many instances a particular word will have one meaning in one vocabulary and another meaning in another vocabulary. The meaning to be attributed to a word, then, depends upon who uses it and how it is used.

Perhaps no better adjective for the description of "automatic renewal" can be found than that used by petitioner, viz: "metaphysical" (P.B. 17).

Just what is the doctrine "automatic renewal" as established by the Board? It arose primarily when a group of members of the Union who were parties to the contract then in force between the employer and employees, seek to designate some other representative other than their present representative for the purposes of collective bargaining.

In the Matter of Mill B. Inc., et al., 40 N.L.R.B. 346.

In that case the contract was for one year, then if either party desires to change or terminate, notice must be given within sixty days prior to the date of

termination. The contract was to continue from year to year. The Board stated, "where those confronted with a problem of weighing and resolving conflicting interests in maintaining the stability of relationships previously established by collective bargaining contracts as opposed to the right of the majority of employees to change their collective bargaining representatives at any particular time."

In the *Mill B.* case the Board frankly admitted that there were "few guides to the solution of this problem * * * the Board has frequently refused to proceed to a new determination of representatives where the petitioning union presented its claim to a majority representation after the new term of a contract automatically renewed for another year, has commenced to run. Thus the Board considered that the practice and procedure of collective bargaining, which the Act was designed to encourage, would best be effectuated if the contract was permitted to stand as a bar for the remainder of its new term."

Thus we have the Board applying a principle or rule established by the Board, namely, that a contract is permitted to run its course providing the contract has a reasonable duration in order to effectuate the procedure of collective bargaining and denies to a petitioning Union the right to break into that contract until the term of the contract has run. In that case the Board even went further and stated that a contract for the term of one year, which by virtue of an automatic renewal clause becomes a contract for two years, should be given the same effect. It is apparent

that the Board has sought to apply in reverse this doctrine or rule in order to foster a claim of unfair labor practices as against an employer and the Union, and uses this Board rule to deny the protection of the Act given to contracts made prior to the enactment of Act, (Sec. 102) and seeks to invoke this rule as against the express terms of the contract.

In applying this doctrine to the instant case before this Court, the Board has overlooked an important element which exists in representation cases and does not exist in the instant case. In a representation case, the petitioner who seeks to displace the bargaining representative, presents evidence of a majority of the employees who seek a change in their bargaining representative, following which an election is held to establish whether or not the employees of a given plant or industry desire said change. Regardless of who the Union or representative may be, the parties to the contract are the employees and an employee being a party to the contract, is a proper person to petition the Board for an election.

“Nor do we believe that our ruling ‘places a premium on inaction while penalizing unions which seek necessary changes in an agreement.’ There is no more warrant for assuming that a labor organization has become inert because it does not seek changes in an agreement than for concluding that the existing contract is satisfactory. * * * It must always be remembered that labor organizations are merely the agent of the employees in an appropriate unit.”

In the Matter of Mill B., supra.

In the instant case no party to the contract is the petitioner; the Board itself petitions for a finding that the parties to the agreement are guilty of unfair labor practices.

To a lawyer and to a legislator, a renewal or an extended contract is a different contract than its predecessor. Its substantive terms may be the same, that is, it may call for the same performances, as did the old contract, but the change in the dates between which it is in effect, makes it a new contract.

To a lay person, on the other hand, a renewed or an extended contract often is thought of as the same contract.

In the case of *Aluminum Co. v. N.L.R.B.*, supra, the question for decision was whether, at the time of the employe's discharge, there was or was not a contract in effect. The court held that there was.

In the case at bar, the question is whether, at the time of the employe's discharge, there was in effect the old or a new contract, that is, the original contract or a renewed or extended (and thus different) contract.

Such being the question in the *Aluminum Co.* case, the court held that the original contract was in effect by reason of its automatic renewal clause.

But it does not answer the question in the case at bar to say that the contract was automatically renewed on March 1, 1948, and therefore "renewed or extended" within the intendment of Section 102 of the Act.

That answer only begs the question.

To really answer the question it must be decided whether the contract in effect on June 24, 1948 (when the employe was discharged: P.B. 5) was the same or a different contract than that in effect on February 29, 1948, using the words as a lawyer would.

In other words, even if the contract was automatically renewed it was not necessarily renewed within the meaning of Section 102 of the Act even though the word "renewed" is used both in the doctrine of automatic renewal and in Section 102.

It is submitted that an "automatic" renewal is not the same as the renewal contemplated by the statute, because an automatic renewal by definition is accomplished by virtue of something in the original contract while a renewal or extension is accomplished by something done or said by one or more parties to the contract at a date subsequent to that on which the contract was made.

Having in mind that Section 102 deals with contracts of not more than a year's duration if made between the enactment and effective date of the 1947 amendments, and with contracts of unlimited duration if made before the enactment of the amendments, it is not reasonable to suppose that the renewal or extension proviso includes so-called automatic renewals, for if it does, a contract made in good faith 363 days before the enactment of the amendments which contract was construed to automatically renew rather than continue, would receive less consideration than

one made after knowledge of the enactment of the amendments.

There is no such thing as automatic renewal in ordinary contracts, except in leases.

Foster v. White, 3 N.Y.S. (2d) 456 (reversed on other grounds in 17 N.E. (2d) 761 and 18 N.E. (2d) 868).

The doctrine of automatic renewal developed in N.L.R.B. cases in which, as in the *Aluminium Co.* case, the question for decision was whether or not the contract was in effect on a particular date. The doctrine should not be used to determine whether a contract had been renewed in the orthodox sense, because so to use it begs the real question and takes advantage of language used by Courts not at the time thinking of its use in that connection.

IV.

THE CONTRACT'S LANGUAGE.

The pertinent portions of the contract appear on pages 29-31 of petitioner's brief.

Section IV (a) is the maintenance-of-membership clause.

Section XV provides that the contract term shall begin on March 1, 1947 and continue without expiration until it is terminated by notice by one party to the other that the latter has violated the contract (pursuant to Section XII (a)) or by notice of a party's desire to terminate for any or no reason or be-

cause modification negotiations have bogged down (pursuant to Section XVI (b) 2).

Section XVI provides that either party desiring to modify the contract shall notify the other and if the parties have not agreed on the modifications by the anniversary date they may agree to extend the period for negotiating on the modifications or may terminate the contract, and in the absence of notice of desire to modify the contract, the contract shall remain unchanged for at least another year.

The notice of breach may be given at any time. The notice of desire to terminate for any or no reason may be given between February 16 and March 1 of the current year. The notice of desire to modify may be given between December 16 and December 31 of the current year, and the notice to terminate for inability to agree on modifications may be given on or after March 1 of the following year.

Obviously, as petitioner points out (P.B. 16), no one ever can predict with certainty that the contract will be in effect for longer than the ensuing twelve months, but the same may be said of any contract which contains no expiration date. Suppose a contract which says simply that it shall continue until one party gives the other notice of termination. It could never be predicted with certainty that such a contract would last longer than another twelve months.

Whether a contract is a continuing one or one which expires and is subject to renewal or extension, depends not upon what the parties may do but upon its terms and what the parties actually do.

Admittedly, had either respondent given notice of termination and then entered into a new contract or given notice of modifications to which the other respondent agreed, there would have been a new contract between them at the time the employe was discharged.

But no such notice was given and by its terms the contract continued. In the words of the court in the *Aluminum Co.* case, *supra*, neither party disavowed the existing contract and so it remained in effect as provided by its terms.

The language of the contract amounts to this: The contract "shall continue without expiration date until terminated by written notice" given at certain times before or on or after "the anniversary date".

According to petitioner's reasoning this language means that each year there must be either a renewed contract or a completely new contract!

If the parties do nothing, according to petitioner, they have renewed their contract, but if they do something, they have either modified their contract and thus gotten a new one, or they have terminated their contract and thus have none at all.

According to petitioner, a contract with an anniversary date cannot continue. It must be either renewed or terminated once every year.

According to petitioner, the absence of notice results in a renewal or extension and the presence of notice results in a termination or new (i.e., modified) contract.

Etymologically, a contract cannot be renewed or extended unless it is expiring and it cannot be expiring if it is to continue without expiration date until an event which, in the case at bar, did not happen.

Had the contract provided that silence or absence of notice would result in renewal, then it could fairly be said that the contract was renewed on March 1, 1948.

It may well be that, apart from Section 102 of the Act, the practical effect is the same, for either way there was in effect on the date of the employe's discharge a contract with the maintenance-of-membership clause. But the practical effect is very different in the two situations if viewed in the light of the statute, because if the contract was renewed rather than continued in effect, the maintenance-of-membership clause would be invalid after March 1, 1948.

But that the parties to the contract could have substituted the one language for the other, that is, could have provided either that the contract would continue in effect in the absence of notice or that the absence of notice would constitute a renewal of the contract, does not mean that there is no difference between the two.

Alternatives or substitutes are not the same thing, although they may serve the same purpose. An automobile is, or at least, was, a substitute for a horse and buggy and they are alternative means of transportation, but no one would say they are the same thing.

Petitioner's position appears to be that any language which on its face does not provide for an an-

nual renewal, is an evasion of the statute and will be construed to so provide (R. 28) "despite * * * its terms".

But there is no basis for such an accusation. The contract was made before the enacting as well as the effective dates of the amendments and both the employer and the union join in its true construction.

Nor can it fairly be said that the parties refrained from giving notice in an attempt to seek the protection of Section 102 of the Act, for the contract was modified at its 1949 anniversary.

Of course the packing and cannery business is seasonal and of course the notice periods were chosen advertently. But the mere use of the phrase "anniversary date" does not make inevitable the "automatic renewal" construction, for all the language of the contract must be read together (*Aluminum Co. v. N.L.R.B.*, supra, at 525). So reading, it is apparent that in this case the anniversary date was intended to mark the limitation on certain notice periods and not the date for automatic renewals. While the phrase "anniversary date" often is found in "automatic renewal" contracts, the two phrases are not synonymous and the presence of the one does not compel a construction which includes the implied presence of the other, especially in the face of other language to the contrary.

Petitioner concedes that there was no renewal in this case unless it was an "automatic renewal" and if it further be conceded, as it must, that there are such contracts known to the law as continuing contracts or contracts without expiration dates, contracts

which endure until they are terminated, it would be difficult indeed to choose language more appropriate than that in the contract in the case at bar, to indicate that the contract was intended to be of the non-expiring rather than of the automatic renewal type.

CONCLUSION.

The petition should be dismissed because both the language of the contract and the construction placed on it by all the parties to it, clearly show that it was intended not to be a contract subject to automatic renewal, and because the Congress did not intend to invalidate such a contract prior to its actual or real renewal and did not mean to include "automatic renewals" in Section 102 of the Act.

Therefore, the contract was not renewed or extended on March 1, 1948, within the meaning of Section 102 of the Act, and there is no legal support for the order the petition seeks to enforce by decree, because the contract continued in full force and effect and any act performed pursuant to it could not be an unfair labor practice.

Dated, San Jose, California,
December 11, 1950.

Respectfully submitted,
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